



# Cohort Default Rate Guide

Operations Performance  
Division

September 2012

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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/guide/TemplatesSpreadshts.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 Information for Financial Aid Professionals (IFAP) Web site ([ifap.ed.gov](http://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 [Subparts M](#) and [N](#) 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 1-202-377-3053 or visit the Information for Financial Aid Professionals (IFAP) Web site <<http://www.ifap.ed.gov>>.

The Department publishes a [Cohort Default Rate Guide for Lenders and Guaranty Agencies](#).

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](#).

### ***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 (3.1) discusses the school's options for responding to the draft and official school cohort default rate releases.
- ◆ The second chapter (3.2) 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 manager.

***Part IV—Challenges, Adjustments, and Appeals***

Part Four consists of 10 chapters.

- ◆ The first eight chapters (4.1-4.8) 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.

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

- ◆ Information on the change from the 2-year cohort default rate to the 3-year cohort default rate
- ◆ Updated information on the electronic cohort default rate appeals system
- ◆ Updated LRDR layouts

## How to Use this Guide

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| To find out how cohort default rates affect your school's eligibility  | <b>2.4</b> |
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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  
 Operations Performance Division  
 Union Center Plaza 114B4  
 400 Maryland Avenue, SW  
 Washington, DC 20202-5353

You may also send comments via email to: [fsa.schools.default.management@ed.gov](mailto: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**

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

Organization Name: \_\_\_\_\_

School OPE ID # (if applicable): \_\_\_\_\_

Organization Mailing Address: \_\_\_\_\_

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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.

#### **Two-Year "Cohort Default 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 2010 cohort default rate, the cohort fiscal year is FY 2010 (October 1, 2009 to September 30, 2010).

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.

#### **Three-Year "Cohort Default Period"**

The phrase "cohort default period" refers to the **three-year period** that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the **second fiscal year following the fiscal year in which the borrower entered repayment**. 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 2010 cohort

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.

default rate, the cohort fiscal year is FY 2010 (October 1, 2009 to September 30, 2010).

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

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

- ◆ 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

Loans included in default rate calculation:  
• Federal Stafford  
• Direct Stafford/Ford

NOT Included:  
• PLUS  
• Perkins  
• FISL

Regulatory citations:  
34 CFR 668.182  
34 CFR 668.183  
34 CFR 668.201  
34 CFR 668.202

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

### *Two-Year CDR*

| <b>Cohort Fiscal Year</b> | <b><u>Borrowers in the Numerator</u><br/><u>Borrowers in the Denominator</u></b>   | <b><u>2-Yr Time Period (Numerator)</u><br/><u>1-Yr Time Period (Denominator)</u></b> |
|---------------------------|--|--|
| <b>2009</b>               | Borrowers who entered repayment in 2009<br><u>and defaulted in 2009 or 2010</u><br>Borrowers who entered repayment in 2009 | <u>10/01/2008 to 9/30/2010</u><br>10/01/2008 to 9/30/2009                            |
| <b>2010</b>               | Borrowers who entered repayment in 2010<br><u>and defaulted in 2010 or 2011</u><br>Borrowers who entered repayment in 2010 | <u>10/01/2009 to 9/30/2011</u><br>10/01/2009 to 9/30/2010                            |
| <b>2011</b>               | Borrowers who entered repayment in 2011<br><u>and defaulted in 2011 or 2012</u><br>Borrowers who entered repayment in 2011 | <u>10/01/2010 to 9/30/2012</u><br>10/01/2010 to 9/30/2011                            |

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 2009 through 2011. 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.

## *Three-Year CDR*

| <b>Cohort Fiscal Year</b> | <b>Year Published</b> | <b>Borrowers in the Numerator<br/>Borrowers in the Denominator</b>  | <b>3-Yr Time Period (Numerator)<br/>1-Yr Time Period (Denominator)</b> |
|---------------------------|-----------------------|---|--|
| <b>2009</b>               | 2012                  | Borrowers who entered repayment in 2009 <u>and defaulted in 2009, 2010 or 2011</u><br>Borrowers who entered repayment in 2009 | <u>10/01/2008 to 9/30/2011</u><br>10/01/2008 to 9/30/2009              |
| <b>2010</b>               | 2013                  | Borrowers who entered repayment in 2010 <u>and defaulted in 2010, 2011 or 2012</u><br>Borrowers who entered repayment in 2010 | <u>10/01/2009 to 9/30/2012</u><br>10/01/2009 to 9/30/2010              |
| <b>2011</b>               | 2014*                 | Borrowers who entered repayment in 2011 <u>and defaulted in 2011, 2012 or 2013</u><br>Borrowers who entered repayment in 2011 | <u>10/01/2010 to 9/30/2013</u><br>10/01/2010 to 9/30/2011              |
| <b>2012</b>               | 2015                  | Borrowers who entered repayment in 2012 <u>and defaulted in 2012, 2013 or 2014</u><br>Borrowers who entered repayment in 2012 | <u>10/01/2011 to 9/30/2014</u><br>10/01/2011 to 9/30/2012              |
| <b>2013</b>               | 2016                  | Borrowers who entered repayment in 2013 <u>and defaulted in 2013, 2014 or 2015</u><br>Borrowers who entered repayment in 2013 | <u>10/01/2012 to 9/30/2015</u><br>10/01/2012 to 9/30/2013              |
| <b>2014</b>               | 2017                  | Borrowers who entered repayment in 2014 <u>and defaulted in 2014, 2015 or 2016</u><br>Borrowers who entered repayment in 2014 | <u>10/01/2013 to 9/30/2016</u><br>10/01/2013 to 9/30/2014              |
| <b>2015</b>               | 2018                  | Borrowers who entered repayment in 2015 <u>and defaulted in 2015, 2016 or 2017</u><br>Borrowers who entered repayment in 2015 | <u>10/01/2014 to 9/30/2017</u><br>10/01/2014 to 9/30/2015              |

\*First year that sanctions will be taken for 3-year cdr.

| <u>Published</u> | <u>Cohort Year</u> | <u>Cohort Year</u> |
|------------------|--------------------|--------------------|
| 2011             | 2009 2-yr rate     | N/A                |
| 2012             | 2010 2-yr rate     | 2009 3-yr rate     |
| 2013             | 2011 2-yr rate     | 2010 3-yr rate     |
| 2014             | N/A                | 2011 3-yr rate     |

*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 2009 through 2015. 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 year the cohort default rate will be published. The third column shows the borrowers included in the cohort default rate calculation for that cohort fiscal year. The fourth column shows the time periods used for the numerator and the denominator listed in the third column.*

*Borrowers in the denominator are those who entered repayment during the time period shown in the fourth 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 fourth 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?***

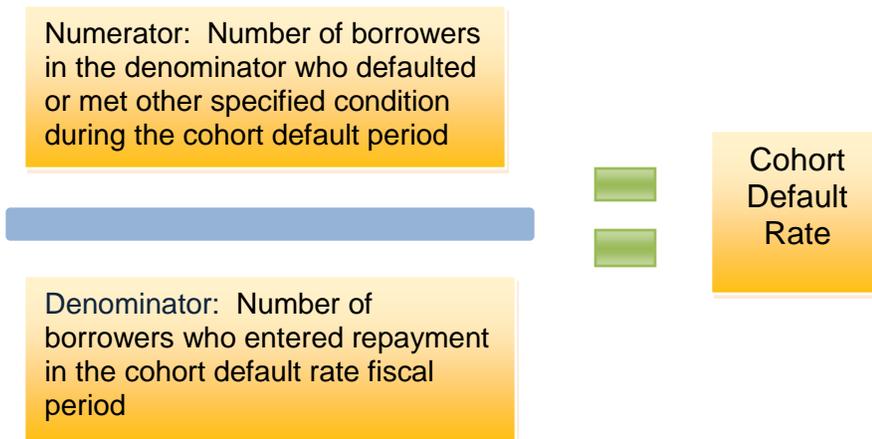
The Department uses the non-average rate formula or the average rate formula to calculate a school's official cohort default rate, depending on the number of borrowers entering repayment.

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.

## 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.



*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 ÷ 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 x 100 = 9.7).

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

## 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 the denominator who defaulted or met other specified condition during the cohort default period



Denominator: Number of borrowers who entered repayment in the cohort default fiscal period



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 ( $0.088 \times 100 = 8.8$ ).

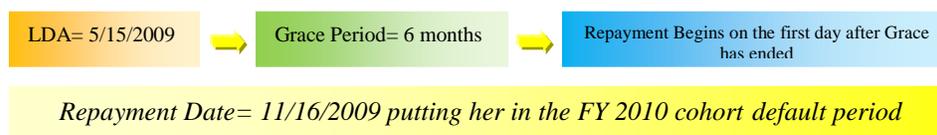
$$8 \text{ borrowers defaulted} \div 90 \text{ total borrowers in repayment} = 8.8\% \text{ Cohort default rate}$$

## **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 (see example below). 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.

*Marta Elizabeth McGregor graduated on May 15, 2009*



## **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 or a FFEL loan that has been purchased by the Department is considered to be in default after 360 days of delinquency. 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 data manager's loan rehabilitation agreement with the borrower.

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).

\*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)

- ◆ 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  |
|---|---|---|
| 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.  | 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. | The borrower is included if the borrower defaulted or met the other specified condition during the cohort default period.   |
| 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.  | 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.        | 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. |
| A borrower takes out loans at more than one school.   | The borrower is included in the cohort fiscal years when the borrower entered repayment for each school where the borrower obtained loans.  | 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.   |
| 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. | The borrower is included in the cohort fiscal year when the borrower entered repayment.   | The borrower is included because the loan meets the other specified condition during the cohort default period.   |

## 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<br>+N  | +N   | No effect.<br><br>Regardless of circumstance, if the borrower has other loans in default, the borrower is already included in both the numerator and denominator |
| Subtracts a defaulted loan...                       | -D<br>-N  | -N   |  |
| 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. Schools also have the opportunity to challenge a potential loss of eligibility by submitting a participation rate index 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 schools foreign and domestic, using the Student Aid Internet Gateway (SAIG) destination point designated by the school. All 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](http://ifap.ed.gov)).

### ***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 exceeds the relevant threshold as discussed in Chapter 2.4, 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](http://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><b>When a school receives a:</b></i>  | <i><b>The Department will provide the:</b></i>                |
|--|---|
| Draft cohort default rate  | Most recent LRDR for the draft cohort default rates           |
| Official, non-average cohort default rate that does not exceed relevant thresholds.  | Most recent LRDR for the official cohort default rates        |
| Official cohort default rate that exceeds the relevant threshold as discussed in Chapter 2.4 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> |   |

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

All schools, foreign and domestic, that have 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. Schools should go to the NSLDS "Report" tab and provide the report number for 2 and 3 year LRDRs.

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. Please click on [this link for](#) instructions explaining how to request a LRDR from NSLDS and retrieve it from the SAIG mailbox.

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.

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.

***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 challenge, adjustment and/or appeal, the school must request the LRDR and submit the cohort default rate challenge, adjustment and /or appeal by the relevant timeframe associated with the challenge, adjustment and /or appeal (see relevant section of Chapter 4 for challenge, adjustment and / or 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. A school can request an electronic LRDR, in either format, directly from the Department by calling the Operations Performance Division's (OPD) hotline at 1-202-377-4259 or sending an email to: [FSA.schools.default.management@ed.gov](mailto:FSA.schools.default.management@ed.gov).

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.*

## 2.3 Reviewing the Loan Record Detail Report (LRDR)

### ***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 (if not, the data may be incorrectly reported)?
- ◆ Are there loans on the LRDR that are not on the school's spreadsheet (if so, the loans may be incorrectly included)?
- ◆ Are there loans on the school's spreadsheet that are not on the LRDR (if so, the loans may be incorrectly excluded)?

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.

► 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."

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 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.

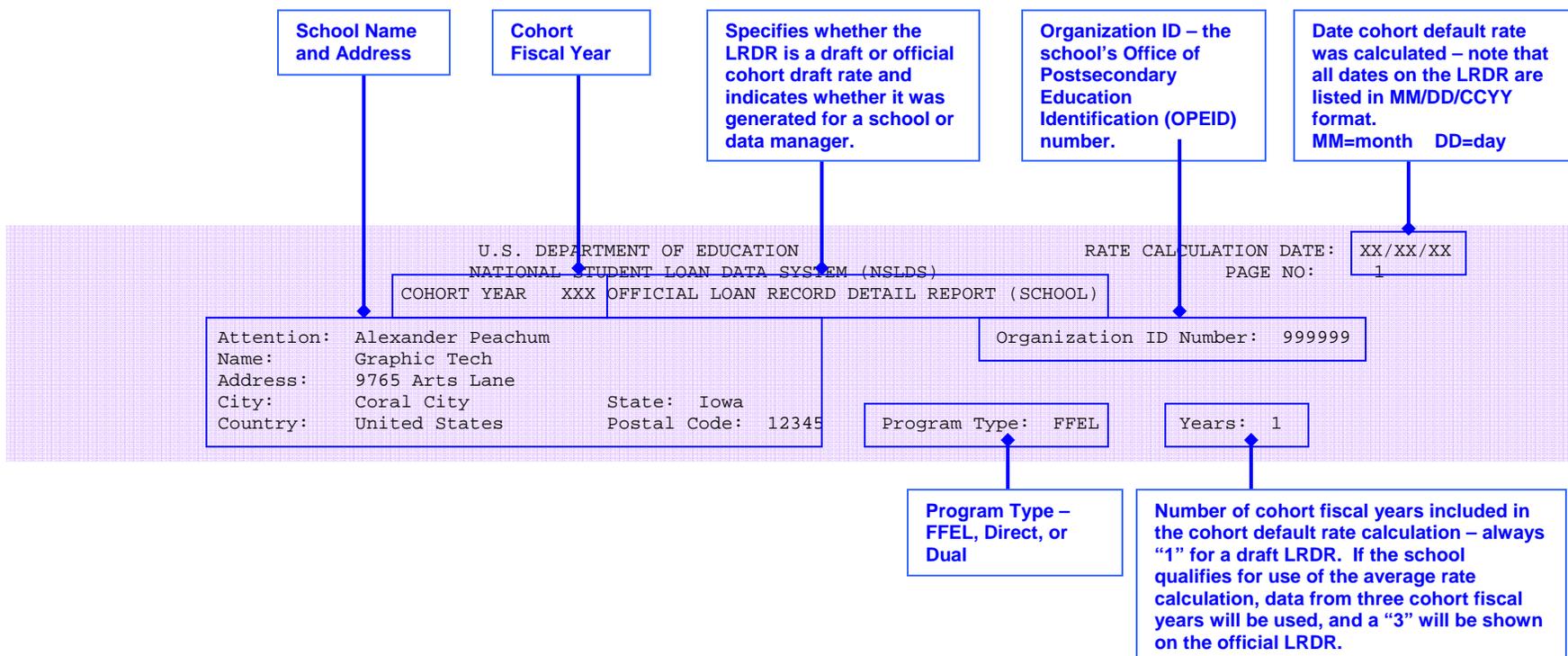
# Loan Record Detail Report: Reader-Friendly Format

*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  
 NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)  
 COHORT YEAR XXX OFFICIAL LOAN RECORD DETAIL REPORT (SCHOOL)

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

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  
 Country: United States  
 State: Iowa  
 Postal Code: 12345  
 Organization ID Number: 999999  
 Program Type: FFEL  
 Years: 1

| SSN          | Last Name  | STUDENT   | First/M.I. | D.O.B              | Original School | CLASS      | Academic Level      |                    |                            |           |
|--------------|------------|-----------|------------|--------------------|-----------------|------------|---------------------|--------------------|----------------------------|-----------|
| Originating  | Current    | Type Stat | Code       | DEFAULT/NegAm Date | Repay Date      | Amount     | Guarantor/ Servicer | Guaranty Loan/Date | Enrollment Stat/ Code Date | Usage 1 2 |
| 0001-01-0001 | CHARM      |           | JIM K      | 06/30/1977         | 00XXXXXX        | 09/01/1999 | 05/30/2000          | 1                  |                            |           |
| 8888888888   | 9999999999 | SF RP     |            | 00/00/0000         | 10/31/2002      | \$ 2,625   | 667                 | 09/02/1999         | W 12/31/2001               | 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 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 : 1,071,266 7,875 0 (Based on Outstanding Pr.)  
 TOTAL DOLLARS IN REPAYMENT : 6,950,053 44,625 0 (Based on Outstanding Pr.)  
 TOTAL INSURANCE CLAIM PAYMENTS: 0  
 \*\*\*\*\* = Not Available  
 -Actual Numerator Count : 134 Report Count : 134(B)  
 Actual Denominator Count: 842 Actual Default Rate: 15.9 Report Count : 842(D)  
 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 Repo: 0  
 -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=Dir  
 IC=ICR (Negative Amortization Only), N = Not Used, E = Eligible but not counted

Information Protected By the Privacy Act of 1974 As Amended

| 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

Page 2.3-6

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

Peachment  
 Tech  
 Organization ID Num

State: Iowa  
 Postal Code: 12345  
 Program Type: FFEL  
 Year

**\* 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

| SSN          | Last Name  | First/M.I. | D.O.B      | School   | Begin Date | CLASS End Date | Academic Level |
|--------------|------------|------------|------------|----------|------------|----------------|----------------|
| 0001-01-0001 | CHARM      | JIM K      | 06/30/1977 | 00XXXXXX | 09/01/1999 | 05/30/2000     | 1              |
| 8888888888   | 9999999999 |            |            | 667      | 09/02/1999 | W 12/31/2001   | D FD           |
| 0001-01-0001 | CHARM      | JIM K      | 06/30/1977 | 00XXXXXX | 09/01/2000 | 04/30/2001     | 3              |
| 8888888888   | 9999999999 |            |            | 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    |            |            |            | 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    |            |            |            | 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  
 -Actual Denominator Count  
 INDIVIDUAL PROGRAM TOTAL  
 Appealed Rate flag: N

**\* 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 or FFEL purchased by the Department 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.

**\* Claim Reason Code – identifies why a claim was paid on a FFEL or if a Direct Loan or FFEL purchased by the Department is considered in default because the borrower has defaulted or met the other specified condition**

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

**\* Amount – the original principal amount of the loan.**

**\* Guarantor/Service/ 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.**

**\* 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 |

| <b>Loan Status Codes</b> |  |           |  |
|--------------------------|--|-----------|--|
| <b>AL</b>                | Abandoned Loan                                     | <b>DX</b> | Defaulted, Six Consecutive Payments                          |
| <b>BC</b>                | Bankruptcy Claim, Discharged                       | <b>DZ</b> | Defaulted, Six Consecutive Payments, Then Missed Payment     |
| <b>BK</b>                | Bankruptcy Claim, Active                           | <b>FB</b> | Forbearance  |
| <b>CA</b>                | Canceled   | <b>FC</b> | False Certification Discharge                                |
| <b>CS</b>                | Closed School Discharge                            | <b>IA</b> | Loan Originated  |
| <b>DA</b>                | Deferred   | <b>ID</b> | In School or Grace Period                                    |
| <b>DB</b>                | Defaulted, Then Bankrupt, Active, Chapter 13       | <b>IG</b> | In Grace Period  |
| <b>DC</b>                | Defaulted, Compromise                              | <b>IM</b> | In Military Grace  |
| <b>DD</b>                | Defaulted, Then Died                               | <b>OD</b> | Defaulted, Then Bankrupt, Discharged, Other                  |
| <b>DE</b>                | Death  | <b>PC</b> | Paid in Full Through Consolidation Loan                      |
| <b>DF</b>                | Defaulted, Unresolved                              | <b>PF</b> | Paid in Full   |
| <b>DI</b>                | Disability   | <b>PM</b> | Presumed Paid in Full  |
| <b>DK</b>                | Defaulted, Then Bankrupt, Discharged, Chapter 13   | <b>PN</b> | Non-Defaulted, Paid in Full Through Consolidation Loan       |
| <b>DL</b>                | Defaulted, In Litigation                           | <b>RF</b> | Refinanced   |
| <b>DN</b>                | Defaulted, Paid in Full Through Consolidation Loan | <b>RP</b> | In Repayment   |
| <b>DO</b>                | Defaulted, Then Bankrupt, Active, Other            | <b>UA</b> | Temporarily Uninsured-No Default Claim Requested             |
| <b>DP</b>                | Defaulted, Paid in Full                            | <b>UB</b> | Temporarily Uninsured-Default Claim Denied                   |
| <b>DR</b>                | Defaulted, Loan Included in Roll-Up-Loan           | <b>UC</b> | Permanently Uninsured/Unreinsured-No Default Claim Requested |
| <b>DS</b>                | Defaulted, Then Disabled                           | <b>UD</b> | Permanently Uninsured/Unreinsured-Default Claim Denied       |
| <b>DT</b>                | Defaulted, Collection Terminated                   | <b>UI</b> | Unreinsured  |
| <b>DU</b>                | Defaulted Unresolved                               | <b>XD</b> | Defaulted, Six Consecutive Payments                          |
| <b>DW</b>                | 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 |               |                           |                                    |  |
| Information Protected By the Privacy Act of 1974 As Amended   |               |                           |                                    |  |

Page 2.3-9

**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

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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

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

The extract file layout contains:

- ◆ Positions,
- ◆ Data Element Name,
- ◆ Description,
- ◆ Field Format, and
- ◆ Field Length

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.

## *School Cohort Default Rate History Report Header File Layout*

*Length = 375*

| Position From | Position To | Data Element Name      | Description  | Field Format | Length |
|---------------|-------------|------------------------|--|--------------|--------|
| 1             | 20          | Filler                 | Filler – spaces  | Char.        | 20     |
| 21            | 21          | Record Type            | Indicator used to identify the header record. Value must be “1” (one). | Num.         | 1      |
| 22            | 29          | Organization ID Number | The eight-digit code used to identify the school LRDR.                 | Num.         | 8      |
| 30            | 143         | Filler                 | Filler – spaces.   | Char.        | 114    |
| 144           | 203         | Organization Name      | School’s name.   | Char.        | 60     |
| 204           | 253         | Address                | School’s address.  | Char.        | 50     |

| Position From | Position To | Data Element Name     | Description   | Field Format | Length |
|---------------|-------------|-----------------------|---|--------------|--------|
| 254           | 273         | City                  | School's city.  | Char.        | 20     |
| 274           | 275         | State                 | School's state.   | Char.        | 2      |
| 276           | 295         | Country               | School's country.   | Char.        | 20     |
| 296           | 304         | Zip Code              | School's Zip Code.  | Num.         | 9      |
| 305           | 312         | Request Date          | Identifies the request date of the LRDR report; format is CCYYMMDD.   | Date         | 8      |
| 313           | 320         | Rate Calculation Date | Identifies the date the rate was calculated; format is CCYYMMDD.  | Date         | 8      |
| 321           | 324         | Cohort Year           | Identifies the cohort period associated with the report; format is CCYY.  | Date         | 4      |
| 325           | 331         | Title IV Program      | Identifies the program type of loans included in the Loan Record Detail Report.   | Char.        | 7      |
| 332           | 332         | Rate Type             | Identifies the cohort calculation; 2 or 3 Year. Valid values include:<br>A = 2-Year Official<br>D = 2-Year Draft<br>E = 3-Year Official<br>F = 3-Year Draft<br>L = 3-Year Trial | Char.        | 1      |

| Position From | Position To | Data Element Name | Description   | Field Format | Length |
|---------------|-------------|-------------------|---|--------------|--------|
| 333           | 333         | Rate Sub-Type     | Identifies what type of rate was calculated for the institution.<br>Valid values include:<br>A – Actual<br>B – Average,<br>S – Substituted, or<br>P – Lead School Combo | Char.        | 1      |
| 334           | 375         | Filler            | Filler – spaces.  | Num.         | 42     |

**School Cohort Default Rate History Report Detail File Layout**

*Length = 375*

| Position From | Position To | Data Element Name       | Description   | Field Format | Length |
|---------------|-------------|-------------------------|---|--------------|--------|
| 1             | 20          | Filler                  | Filler – spaces   | Char.        | 20     |
| 21            | 21          | Record Type             | Indicator used to identify the detail record. Value must be “2” (two).              | Char.        | 1      |
| 22            | 29          | School Code             | An eight-digit code used to identify the school LRDR request.                       | Char.        | 8      |
| 30            | 38          | SSN                     | Title IV recipient’s or beneficiary’s Social Security Number.                       | Char.        | 9      |
| 39            | 39          | Default Rate Usage Code | Identifies how the loan is counted in the school’s cohort default rate calculation. | Char.        | 1      |
| 40            | 56          | Loan Identifier         | Identifies the particular loan included in the cohort default rate calculation.     | Num.         | 17     |
| 57            | 91          | Current Last Name       | Title IV recipient’s or beneficiary’s current last name.                            | Char.        | 35     |
| 92            | 126         | Current First Name      | Title IV recipient’s or beneficiary’s current first name.                           | Char.        | 35     |
| 127           | 161         | Student Middle Name     | Title IV recipient’s or beneficiary’s middle name.                                  | Char.        | 35     |
| 162           | 169         | Student Date of Birth   | Title IV recipient’s or beneficiary’s date of birth.                                | Num.         | 8      |
| 170           | 177         | Original School Code    | ED OPE code for school that certified/originated the loan for the borrower.         | Char.        | 8      |

| Position From | Position To | Data Element Name                        | Description  | Field Format | Length |
|---------------|-------------|--|--|--------------|--------|
| 178           | 178         | Original School Code History Indicator   | Identifies if there were one or more prior original school codes.  | Char.        | 1      |
| 179           | 186         | Begin Class Date                         | The date classes were scheduled to begin for the loan period covered by the loan.                        | Num.         | 8      |
| 187           | 194         | End Class Date                           | The date classes were scheduled to end for the loan period covered by the loan.                          | Num.         | 8      |
| 195           | 195         | Academic Level                           | Student's academic or grade level in school at the beginning of the specific period covered by the loan. | Char.        | 1      |
| 196           | 201         | Original Lender Code                     | Code for entity that provided the loan to the student; identifies the originating holder of the loan.    | Char.        | 6      |
| 202           | 207         | Current Lender Code                      | Current lender code.   | Char.        | 6      |
| 208           | 213         | Current Lender Servicer/Federal Servicer | Current lender servicer or current federal servicer.   | Num.         | 6      |
| 214           | 215         | Loan Type                                | The type of loan.  | Char.        | 2      |
| 216           | 217         | Loan Status Code                         | The status of the borrower's loan.   | Char.        | 2      |

| Position From | Position To | Data Element Name                   | Description   | Field Format | Length |
|---------------|-------------|-------------------------------------|---|--------------|--------|
| 218           | 225         | Loan Status Code Date               | Effective date of the loan status code.   | Num.         | 8      |
| 226           | 233         | Repay Date                          | Date loan entered repayment.  | Num.         | 8      |
| 234           | 239         | Amount                              | Full amount of the loan.  | Num.         | 6      |
| 240           | 242         | Code for Guarantor/Federal Servicer | Guaranty agency that guaranteed the loan or Federal Servicer that services the loan.  | Char.        | 3      |
| 243           | 250         | Loan Date                           | Date that the guaranty agency guaranteed a FFEL Program loan or the first date of disbursement for a Direct Loan Program loan.  | Num.         | 8      |
| 251           | 258         | Date of Default                     | Date that a default claim was paid on an FFEL Program loan not purchased by the Department or the day of default, for cohort default rate purposes. For Direct Loan Program loans and FFELs purchased by the Department, the day certain Direct Loan Program loans are considered in default, for cohort default rate purposes. | Num.         | 8      |
| 259           | 260         | Claim Reason Code                   | Identifies the reason a claim was paid on an FFEL Program loan or if a Direct Loan Program or FFEL purchased by the Department has defaulted or, for some Direct Loan Program loans, if the loan entered into an income contingent repayment plan that resulted in negative amortization.                                       | Char.        | 2      |

| Position From | Position To | Data Element Name                                  | Description  | Field Format | Length |
|---------------|-------------|--|--|--------------|--------|
| 261           | 261         | Consolidation Indicator                            | Indicator for consolidation and underlying loans. (Consolidation Loan = "1" and Underlying Loan(s) = "2".) Used with Loan Identifier and Consolidation Loan Identifier to relate consolidation loans and their underlying loans. | Num.         | 1      |
| 262           | 278         | Consolidation Loan Identifier                      | For an underlying loan, identifies the consolidation loan which it underlies.  | Num.         | 17     |
| 279           | 279         | Enrollment Code                                    | Student's enrollment status at the time the cohort default rate was calculated.  | Char.        | 1      |
| 280           | 287         | 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.   | Num.         | 8      |
| 288           | 288         | Program Type                                       | Identifies loan program type "F" (FFEL) or "D" (Direct Loan).  | Char.        | 1      |
| 289           | 294         | Outstanding Principal Balance At Time of Repayment | The loan's outstanding principal balance on the date it entered repayment.   | Num          | 6      |

| Position From | Position To | Data Element Name                                 | Description   | Field Format | Length |
|---------------|-------------|---|---|--------------|--------|
| 295           | 300         | Outstanding Interest Balance At Time of Repayment | The loan's outstanding interest balance on the date it entered repayment.   | Num          | 6      |
| 301           | 306         | Outstanding Principal Balance At Time of Default  | The loan's outstanding principal balance on the date it entered default.  | Num          | 6      |
| 307           | 312         | Outstanding Interest Balance At Time of Default   | The loan's outstanding interest balance on the date it entered default.   | Num          | 6      |
| 313           | 314         | Usage Two   | Identifies how the loan is counted in each individual loan program (i.e., the FFEL Program and/or the Direct Loan Program). | Char.        | 2      |
| 315           | 320         | Filler  | Filler – spaces   | Char.        | 6      |
| 321           | 324         | Cohort Year                                       | Identifies the cohort year; format is CCYY.   | Char.        | 4      |
| 325           | 345         | Award/Data Provider ID                            | A loan identifier used by the data provider.  | Char.        | 21     |
| 346           | 375         | Filler  | Filler – spaces.  | Char.        | 30     |

**School Cohort Default Rate History Report Trailer File Layout**

*Length = 375*

| <b>Position From</b> | <b>Position To</b> | <b>Data Element Name</b>                    | <b>Description</b>   | <b>Field Format</b> | <b>Length</b> |
|----------------------|--------------------|---|--|---------------------|---------------|
| 1                    | 20                 | Filler                                      | Filler – spaces  | Char                | 20            |
| 21                   | 21                 | Record Type                                 | Indicator used to identify the trailer record. Value must be “3” (three).  | Char.               | 1             |
| 22                   | 29                 | School Code                                 | An eight-digit code used to identify the school LRDR.  | Char.               | 8             |
| 30                   | 37                 | Actual Numerator Count                      | Identifies the unduplicated number of borrowers included in the numerator of the cohort default rate calculation.                          | Num.                | 8             |
| 38                   | 45                 | Actual Denominator Count                    | Identifies the unduplicated number of borrowers included in the denominator of the cohort default rate calculation.                        | Num.                | 8             |
| 46                   | 53                 | Loan Record Detail Report Numerator Count   | The total number of unduplicated borrowers listed on the Loan Record Detail Report with a “B” in the Default Rate Usage Code field.        | Num.                | 8             |
| 54                   | 61                 | Loan Record Detail Report Denominator Count | The total number of unduplicated borrowers listed on the Loan Record Detail Report with a “D” or “B” in the Default Rate Usage Code field. | Num.                | 8             |

| Position From | Position To | Data Element Name                             | Description   | Field Format | Length |
|---------------|-------------|---|---|--------------|--------|
| 62            | 69          | FFEL Program Count                            | The total number of unduplicated borrowers counted in the numerator of the FFEL Program.  | Num.         | 8      |
| 70            | 77          | FFEL Program Count                            | The total number of unduplicated borrowers counted in the denominator of the FFEL Program.  | Num.         | 8      |
| 78            | 85          | Direct Program Count                          | The total number of unduplicated borrowers counted in the numerator of the Direct Loan Program.                                   | Num.         | 8      |
| 86            | 93          | Direct Program Count                          | The total number of unduplicated borrowers counted in the denominator of the Direct Loan Program.                                 | Num.         | 8      |
| 94            | 94          | Appealed Rate Flag                            | Identifies if the cohort default rate has been revised due to an appeal.  | Char.        | 1      |
| 95            | 104         | Dual Outstanding Principal Balance at Default | Total outstanding principal balance at time of default for FFEL and Direct Loans included in the cohort default rate calculation. | Num.         | 10     |
| 105           | 114         | Dual Outstanding Interest Balance at Default  | Total outstanding interest balance at time of default for FFEL and Direct Loans included in the cohort default rate calculation.  | Num.         | 10     |

| Position From | Position To | Data Element Name                                     | Description   | Field Format | Length |
|---------------|-------------|---|---|--------------|--------|
| 115           | 124         | Dual Total Outstanding Principal Balance at Repayment | Total outstanding principal balance for FFEL and Direct Loans that entered into repayment during the cohort period in question. | Num.         | 10     |
| 125           | 134         | Dual Total Outstanding Interest Balance at Repayment  | Total outstanding interest balance for FFEL and Direct Loans that entered into repayment during the cohort period in question.  | Num.         | 10     |
| 135           | 144         | FFEL Total Outstanding Principal Balance at Default   | Total outstanding principal balance at time of default for FFEL loans included in the cohort default rate calculation.          | Num.         | 10     |
| 145           | 154         | FFEL Total Outstanding Interest Balance at Default    | Total outstanding interest balance at time of default for FFEL loans included in the cohort default rate calculation.           | Num.         | 10     |
| 155           | 164         | FFEL Total Outstanding Principal Balance at Repayment | Total outstanding principal balance for FFEL loans that entered into repayment during the cohort period in question.            | Num.         | 10     |

| Position From | Position To | Data Element Name                                       | Description  | Field Format | Length |
|---------------|-------------|---|--|--------------|--------|
| 165           | 174         | FFEL Total Outstanding Interest Balance at Repayment    | Total outstanding interest balance for FFEL loans that entered into repayment during the cohort period in question.      | Num.         | 10     |
| 175           | 184         | Direct Total Outstanding Principal Balance at Default   | Total outstanding principal balance at time of default for Direct Loans included in the cohort default rate calculation. | Num.         | 10     |
| 185           | 194         | Direct Total Outstanding Interest Balance at Default    | Total outstanding interest balance at time of default for Direct Loans included in the cohort default rate calculation.  | Num.         | 10     |
| 195           | 204         | Direct Total Outstanding Principal Balance at Repayment | Total outstanding principal balance for Direct Loans that entered into repayment during the cohort period in question.   | Num.         | 10     |
| 205           | 214         | Direct Total Outstanding Interest Balance at Repayment  | Total outstanding interest balance for Direct Loans that entered into repayment during the cohort period in question.    | Num.         | 10     |
| 215           | 217         | Official Rate   | The rate associated with the requested Rate Type and Fiscal Year.  | Char.        | 3      |
| 218           | 320         | Filler  | Filler – spaces  | Char.        | 103    |

| Position From | Position To | Data Element Name        | Description                                 | Field Format | Length |
|---------------|-------------|--------------------------|---|--------------|--------|
| 321           | 324         | Trailer Sort Cohort Year | Identifies the cohort year; format is CCYY. | Date         | 4      |
| 325           | 375         | Filler                   | Filler – spaces.                            | Char.        | 51     |

### ***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 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 cohort 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. In addition, "average rate" schools – schools having fewer than 30 borrowers entering repayment in their most recent cohort year – will have included in their draft rate data only those borrowers who entered repayment in that year, whereas the "official rates" for these schools will include not only that data but also the data regarding borrowers who entered repayment in the preceding two fiscal years.

#### **Regulatory citations:**

34 CFR 668.187  
34 CFR 682.603  
34 CFR 682.604  
34 CFR 685.301  
34 CFR 685.303

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

***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.

Regulatory citations:  
34 CFR 682.604  
34 CFR 685.303

**Benefits for schools with low official cohort default rates**

| <b>Eligible School</b>   | <b>Benefits</b>   |
|--|---|
| <b>A school whose most recent official cohort default rate is less than 5.0 percent and is an eligible home institution that is originating loans to cover the cost of attendance in a study abroad program</b>  | May disburse loan proceeds in a single installment to a student studying abroad regardless of the length of the student's loan period.<br>May choose not to delay the disbursement of the first installment of loan proceeds for first-year first-time borrowers studying abroad. |
| <b>A school with a cohort default rate of less than 15.0 percent for each of the three most recent fiscal years for which data are available, including eligible home institutions and foreign institutions,</b> | May disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period.<br>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 the Department. Schools no longer qualify for these benefits starting 30 calendar days after receiving notice from the Department 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**

| <b>School</b>   | <b>Sanctions</b>  |
|---|---|
| A school's three most recent <i>official</i> cohort default rates are 25.0 percent or greater for the two year calculation, or 30.0 percent or greater for both the three year calculation.   | Except in the event of a successful adjustment or appeal, such a school will lose 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 <i>official</i> cohort default rate is greater than 40.0 percent, for both the two year and three year CDR calculation.  | Except in the event of a successful adjustment or appeal, such a school will lose 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> |   |

**\*No school sanctions will be applied based on the three year cohort default rate calculation until there have been three consecutive years of such rates calculated. This means that sanctions based on the three year cohort default rate calculation will begin in 2014, with the release of the FY 2011 cohort default rate.**

## ***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, and may also result in avoidance of a sanction.

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**

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

**Before notifying you of your official cohort default rate, we make an initial determination about whether you qualify for these appeals**

***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 Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were 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 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**

|  | <b>School is NOT Currently Under Sanction</b>  | <b>School IS Currently Under Sanction</b>   |
|--|--|---|
| School Does <b>Not Timely Submit</b> 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 <b>Timely Submits</b> Adjustment or Appeal, but Adjustment or Appeal <b>is Unsuccessful</b> | 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 Direct Loan or Federal Pell Grant Program. |
| School <b>Timely Submits</b> Adjustment or Appeal, and Adjustment <b>or Appeal is Successful</b>   | 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 2009 on October 2, 2011, then a loss of eligibility that is based on the FY 2009 cohort default rate would continue only for the remainder of FY 2011 (the fiscal year in which the cohort default rates were issued) and to the end of FY 2012.

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

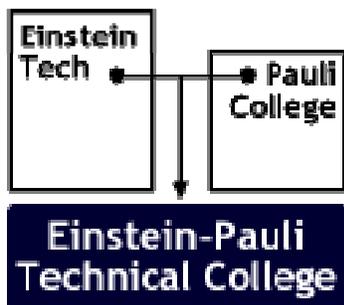
A school should contact COD School Relations Center at 1-800-848-0978 for information on withdrawing from the Direct Loan Program.

A school that loses Direct Loan or Federal Pell Grant eligibility may reapply for participation when the sanction period ends. A school should apply online at ([eligcert.ed.gov](http://eligcert.ed.gov)).

## What is a change in status?

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

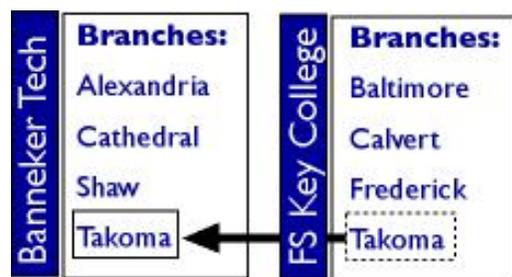
### Acquisition or Merger of Schools



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

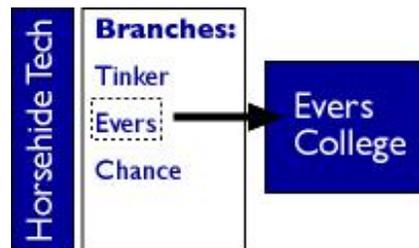


The second type of change in status occurs when an existing school acquires a branch or location of another school. This type of change in status results in one expanded school and one former parent school.

*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 main school. This type of change in status results in one new or existing school 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 loss of eligibility 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.

Additionally, schools should be aware that borrowers are counted once *except* when there is a merger of schools and the student has had loans certified in more than one of the merged schools.

### ***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 the School Participation Team (SPT) 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.

The Operations Performance Division (OPD) 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, as applicable, report the change or request approval for the change for Title IV program purposes. For more information on submitting a change request, visit ([eligcert.ed.gov](http://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 transaction. 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, the Department's regulations require a school involved in a change in status to assume the loss of eligibility of another school involved in the change in status, to avoid evasion of 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 School or Schools  |
|---|---|--|---|--|
| <p>Acquisition or Merger of Schools<br/>668.184(a)(4),(b);<br/>668.203(a)(4), (b);<br/>COA Code B</p>       | <p>The new or surviving 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.</p> | <p>The new school's cohort default rates following the merger or acquisition are determined by including all the applicable borrowers from each school involved in the acquisition or merger in the cohort default rate calculation.</p>   | <p>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.</p>  | <p>The former school (or schools, in the case of a merger) no longer exist.</p>                  |
| <p>Acquisition of Branches or Locations<br/>668.184(a)(4), (c);<br/>668.203(a)(4), (c)<br/>COA Code C</p>   | <p>The expanded school's historical cohort default rates will be the cohort default rates of the acquiring school.</p>  | <p>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.</p> | <p>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.</p> | <p>The former parent school's cohort default rates are not affected by the change in status.</p> |
| <p>Branches or Locations Becoming Schools<br/>668.184(a)(4), (d);<br/>668.203(a)(4), (d)<br/>COA Code D</p> | <p>The new school's historical cohort default rates will be the cohort default rates of the former parent school.</p>   | <p>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.</p>   | <p>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.</p>            | <p>The former parent school's cohort default rates are not affected by the change in status.</p> |

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

Except in certain circumstances involving teachouts, a school has attempted to evade cohort default loss of eligibility if the Department determines all the following conditions are met:

- ◆ An otherwise eligible school and a school already subject to loss of eligibility 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 otherwise eligible school's structure or identity.
- ◆ Before the change occurred, one of the schools involved in the change in status was subject to a loss of eligibility based on its cohort default rate.
- ◆ Following the change in status, the otherwise 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.

The Department will determine if the change in status qualifies as an attempt to evade cohort default rate consequences under the above criteria and will send a written response indicating if the otherwise eligible school will be subject to loss of eligibility and, if so, the scope and duration of the sanction. The schools may write the Department before undergoing the change in status to determine if it would be viewed as an evasion.

### ***How does a change in status affect a school that was subject to loss of eligibility at the time of the change?***

If a school that is already subject to loss of eligibility 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 loss of eligibility 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 loss of eligibility 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, the Department, or School Participation Teams. Be sure to update data managers, the Department, and School Participation Teams when those contacts change.

The Department recommends that schools send all cohort default rate correspondence and enrollment information correspondence to all entities via certified mail or commercial delivery, if sending via hard copy, 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 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](http://fsawebenrollment.ed.gov)).

The announcement of the release date of the draft and official cohort default rates will be posted on the IFAP website, under the current year electronic announcements.

### ***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



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 30<sup>th</sup>. (See Chapter 2.2, "How Schools Get the Rates & Loan 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.

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.

### ***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 in part 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 the Department.
- ◆ *Begin preparing challenge, adjustment, and appeal materials.*  
See 3.1-5 and 3.1-6 for information on the materials for certain appeal types 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.

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.



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

## ***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, or a low participation rate index, 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 3.1-5 and 3.6 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 loss of eligibility 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 Chapter 2.4, "Cohort Default Rate Effects," for information on the benefits available for schools with low cohort default rates.

In some cases, a school must request information from a data manager before the school makes a final submission to the Department. 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.

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- ◆ 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.

**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><b>Incorrect Data Challenge [Draft Rates]</b></p> <p>34 CFR 668.185(b)</p> <p>34 CFR 668.204(b)</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><b>Uncorrected Data Adjustment</b></p> <p>34 CFR 668.190</p> <p>34 CFR 668.209</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 the Department will recalculate the school's cohort default rate.</p>  |
| <p><b>New Data Adjustment</b></p> <p>34 CFR 668.191</p> <p>34 CFR 668.210</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 the Department will recalculate the school's cohort default rate.</p>  |
| <p><b>Erroneous Data Appeal</b></p> <p>34 CFR 668.192</p> <p>34 CFR 668.211</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 loss of eligibility 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 the Department will recalculate the school's cohort default rate. Also, if the recalculated rate falls below the relevant threshold, the school will no longer be subject to loss of eligibility or provisional certification.</p> |
| <p><b>Loan Servicing Appeal</b></p> <p>34 CFR 668.193</p> <p>34 CFR 668.212</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 most recently issued official cohort default rate, or for any cohort default rate upon which a loss of eligibility is based. (See Chapter 4.6 for procedures)</p>  | <p>If successful, the Department 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><b>Participation Rate Index Challenge [Draft Rates]</b></p> <p><b>34 CFR 668.185(c)</b></p> <p><b>34 CFR 668.204(c)</b></p> | <p>A school believes that it may be subject to loss of eligibility (or, after September, 2014, potential provisional certification based on three-year cohort default rates) with the release of the official cohort default rates but also believes that it should not be subject to sanction or potential provisional certification because of its low participation rate index.</p>       | <p>All schools, but only those that will be subject to loss of eligibility (or, after September, 2014, potential provisional certification based on three-year cohort default rates) 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 or potential provisional certification. 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><b>Economically Disadvantaged Appeal</b></p> <p><b>34 CFR 668.194</b></p> <p><b>34 CFR 668.213</b></p>                      | <p>A school believes that it should not be subject to loss of eligibility (or, after September, 2014, potential provisional certification based on three-year cohort default rates) 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 loss of eligibility (or, after September, 2014, potential provisional certification based on three-year cohort default rates). (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><b>Participation Rate Index Appeal</b></p> <p><b>34 CFR 668.195</b></p> <p><b>34 CFR 668.214</b></p>                        | <p>A school believes that it should not be subject to loss of eligibility (or, after September, 2014, potential provisional certification) based on three-year cohort default rates) because of its low participation rate index.</p>  | <p>Schools that are subject to loss of eligibility (or, after September, 2014, potential provisional certification based on three-year cohort default rates). (See Chapter 4.8 for procedures)</p>  | <p>If successful, the school will not be subject to sanction for that cohort fiscal year. If the school's participation rate index for a cohort fiscal year meets the relevant threshold, the cohort default rate for that cohort fiscal year will not be the basis for a future sanction.</p> |
| <p><b>Average Rates Appeal</b></p> <p><b>34 CFR 668.196</b></p> <p><b>34 CFR 668.215</b></p>                                   | <p>At least 2 of the 3 cohort default rates were calculated as average rates and would have been less than 25% for the 2-year calculation or 30% for the 3-year calculation if they were calculated using only data for those cohort fiscal years alone. Or, 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><b>Thirty-or-Fewer Borrowers Appeal</b></p> <p><b>34 CFR 668.197</b></p> <p><b>34 CFR 668.216</b></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 borrower as included in the numerator, and the default date or status is incorrect and borrower should not be counted in the numerator.
- ◆ 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 an Enrollment Report 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?***

For appeal types not submitted via eCDR Appeals, 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 the Department. 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 is moved to a different cohort fiscal year. The school must provide proof of timely submission of any required documentation. For appeal types not submitted via eCDR Appeals, 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 |

## 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. For appeal types not submitted via eCDR Appeals, 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<br><br>(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 is 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. For Appeal types not submitted via eCDR Appeals, 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. For Appeal types not submitted via eCDR Appeals, 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            |

### ***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 or run the DELQ01 report available from NSLDS for information on delinquent borrow accounts held by one of the federal loan servicers. 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

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.

Class: SHNOTEOP). The *School Repayment Information Loan Detail* (DRC016) 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 36-month period. The reports may be received in a formatted report. **(Message Class: SHNOTROP) or an extract file (Message Class: SHNOTEOP).**

### ***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 and are currently enrolled with loans in good-standing, 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 *Borrower Default Summary Report* (SCHDF2) 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, Federal Servicers, 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 their via the 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 number of borrowers who entered into repayment in the first 12 months of the most recent 36-month period, and

The DRC015, DRC016, DELQ01, DER002, SCHPR2 and SCHDF2 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.

- ◆ the number of those borrowers who entered into repayment in the first 12 months of the most recent 36-month period and defaulted or met other specified conditions during that 36-month period.

The summary listing displays a snapshot that may be useful to determine default trends on loans entering in repayment obtained at the school during a 24 or 36 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.

As mentioned earlier, you may also download a loan detail file for the most recent 24-month period (DRCO15) or 36-month period (DRCO16). 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.

### ***What is the DELQ01 report?***

The *Delinquent Borrower Report (DELQ01)* provides school users a report of borrowers who have been reported as delinquent in making loan payments to one of the federal loan servicers. The report does not include borrowers who have loans held by Guaranty Agencies or serviced by the Direct Loan Servicing Center. To assist schools with delinquency/default prevention, this information contains the student's demographic data including address, phone numbers, and e-mail address, as well as loan data including date, type, total outstanding balance, and current monthly payment amount. Users will enter a school identifier. Users may choose to receive all the data at the main branch level of the six-digit OPEID, or enter a branch location by including the last two digits of the eight digit OPEID. The user can specify a single federal loan servicer or all four, designate the cohort year, and select one or more delinquency periods. The default asterisk (\*) indicates "all" for that field selection. The user selects an output Type as Report or Extract, a sort order of SSN or Last/First Name, and, with the Extract option, chooses Standard or Comma Delimited format. School users receive the report via their SAIG mailbox.

### ***What is the SCHPR2 report?***

The *School Portfolio Report (SCHPR2)* provides school users with information about all Direct Loan and/or FFEL program loans for a specified school. This report includes loans that are serviced by all servicers, including the federal loan servicers, and provides identifying information about the servicer for each loan. Parameters for the report that a user may select include a repayment begin and end date range of three years or less. The user may also limit the loans returned based on the loan status categories of All, Open, Closed, Defaulted, Payment Suspended (deferment, forbearance), In-School, In-Repayment, Open Disability, and Un-reinsured. Additionally, the user may limit the loans returned based on the loan program (Direct Loan, FFEL, or both). Finally, the user may choose to receive all the data at the six-digit OPEID level (leave the asterisk (\*) in the branch ID field) or enter a branch location by including the last two digits of the eight-digit OPEID. If a school has merged into a new or existing OPEID, the loans associated with the previous OPEID will be included in the new or existing OPEID's report output. The report output is sorted by **SSN or Last/First Name** and is available in extract format only. The extract file layout is available in the NSLDS User Documentation. School users receive the extract via their SAIG mailbox.

# 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 user at a 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 Professional Access website by entering your 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 |
|----|----------------------|------------------------|----------|------------|-----|--------|----------|-----|----------|------------|-----|----------------|
| 1  | 05/2008-04/2011      | 05/2008-04/2009        | 845      | 14595      | 5.7 | 16     | 346      | 4.6 | 857      | 14768      | 5.8 | 06/04/2011     |
| 2  | 05/2009-04/2011      | 05/2009-04/2010        | 425      | 12507      | 3.3 | 577    | 11398    | 5.0 | 821      | 15523      | 5.2 | 06/03/2011     |
| 3  | 04/2008-03/2011      | 04/2008-03/2009        | 838      | 14714      | 5.6 | 10     | 233      | 4.2 | 847      | 14814      | 5.7 | 05/02/2011     |
| 4  | 04/2009-03/2011      | 04/2009-03/2010        | 418      | 12544      | 3.3 | 519    | 11228    | 4.6 | 767      | 15417      | 4.9 | 05/01/2011     |
| 5  | 03/2008-02/2011      | 03/2008-02/2009        | 819      | 14790      | 5.5 | 6      | 165      | 3.6 | 824      | 14852      | 5.5 | 04/03/2011     |
| 6  | 03/2009-02/2011      | 03/2009-02/2010        | 402      | 12576      | 3.1 | 517    | 11077    | 4.6 | 759      | 15328      | 4.9 | 04/03/2011     |
| 7  | 02/2008-01/2011      | 02/2008-01/2009        | 818      | 14685      | 5.5 | 1      | 17       | 5.8 | 819      | 14697      | 5.5 | 03/03/2011     |
| 8  | 02/2009-01/2011      | 02/2009-01/2010        | 417      | 13062      | 3.1 | 499    | 10097    | 4.9 | 757      | 15531      | 4.8 | 03/02/2011     |
| 9  | 01/2008-12/2010      | 01/2008-12/2008        | 787      | 14795      | 5.3 | 1      | 13       | 7.6 | 788      | 14804      | 5.3 | 02/02/2011     |
| 10 | 01/2009-12/2010      | 01/2009-12/2009        | 398      | 13072      | 3.0 | 489    | 10070    | 4.8 | 733      | 15531      | 4.7 | 02/01/2011     |

# Obtaining Detailed Repayment Reports from NSLDS

You must use the NSLDS Professional Access 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 online 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.)

## SUBMITTING THE REQUEST TO NSLDS

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

**NSLDS** PROFESSIONAL ACCESS  
National Student Loan Data System

### 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                               |
|--------------------|-----------|-------------------------------------|
| <a href="#">1</a>  | DELQ01    | DELINQUENT BORROWER REPORT          |
| <a href="#">2</a>  | DER001    | DATE ENTERED REPAYMENT REPORT       |
| <a href="#">3</a>  | DRC015    | 24 MONTH REPAYMENT INFO LOAN DETAIL |
| <a href="#">4</a>  | DRC016    | 36 MONTH REPAYMENT INFO LOAN DETAIL |
| <a href="#">5</a>  | DRC035    | SCHOOL COHORT DEFAULT RATE HIST RPT |
| <a href="#">6</a>  | EXTC01    | EXIT COUNSELING COMPLETION RESULTS  |
| <a href="#">7</a>  | FAT001    | REQUEST FOR FINANCIAL AID HISTORY   |
| <a href="#">8</a>  | OVP001    | SCHOOL OVERPAYMENT REPORT           |
| <a href="#">9</a>  | PRKDF1    | PERKINS DEFAULT SUMMARY             |
| <a href="#">10</a> | SCHDF1    | BORROWER DEFAULT SUMMARY REPORT     |
| <a href="#">11</a> | SCHER1    | ENROLLMENT REPORTING SUMMARY REPORT |
| <a href="#">12</a> | SCHLL1    | SCHOOL LOAN LIST                    |
| <a href="#">13</a> | SCHPR1    | SCHOOL PORTFOLIO REPORT             |
| <a href="#">14</a> | SCH01A    | EXIT COUNSELING BY SSN              |
| <a href="#">15</a> | SCH01B    | EXIT COUNSELING                     |
| <a href="#">16</a> | SCH07B    | TRANSFER MONITORING SUMMARY REPORT  |
| <a href="#">17</a> | TEACH1    | TEACH OVERSIGHT SUMMARY REPORT      |

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

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

ID: [DRC015](#) Type:    
 Name: 24 MONTH REPAYMENT INFO LOAN DETAIL

- 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.

ID: [DRC016](#) Type: Extract  
 Name: 36 MONTH REPAYMENT INFO LOAN DETAIL

- With an extract a school can customize the data by querying and sorting the repayment information based on the school's individual needs.

**Loan Selection (DRC015, DRC016).** 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  
 DENOMINATOR ONLY  
 NUMERATOR ONLY  
 Sort By:   
 Output Medium: SAIG

**Loan Selection DRC015**

- "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.

**Loan Selection DRC016**

- "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 36-month period and did not default during that 36-month period.
- "NUMERATOR ONLY" — contains only those loans that entered repayment during the first 12 months of the most recent 36-month period and defaulted during that 36-month period.

**Date Range (DER001, SCHDF1)** For two reports, you can specify a 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 :  -Select-  
 Sort By:  -Select-  
 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 :  -Select-  
 Sort By:  -Select-  
 Output Medium:  ALL  
 DIRECT  
 FFEL  
 PERKINS

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

### School Repayment Loan Detail DRC 015, DRC 016

Sort By:  -Select-  
 Output Medium:  -Select-  
 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:  -Select-  
 Output Medium:  -Select-  
 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:  -Select-  
 Output Medium:  -Select-  
 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.

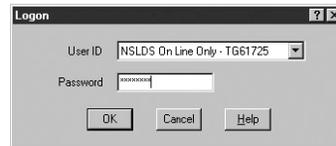
**Step 5:** Verify that the information is correct and click "Confirm."

A message will appear indicating the request was successfully submitted. If the repayment information is requested before 10 a.m. EST, the file will usually be available by the end of that business day. If the repayment information is requested after 10 a.m. EST, the file will usually 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

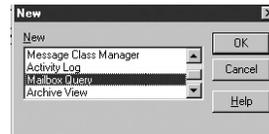
Before downloading the repayment result information from the SAIG mailbox, ensure the TG# mailbox associated with the NSLDS online User ID you used when logging on to the NSLDS website is set up in the EDconnect software. If this has not been done, contact CPS/SAIG Technical Support at 1-800-330-5947.

*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.*

|                          | Move to TQ               | Message Class | Batch Number       | Description                 |
|--------------------------|--------------------------|---------------|--------------------|-----------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | SHNOTROP      | 003174288630110077 | REPAYMENT HISTORY - REPORT  |
| <input type="checkbox"/> | <input type="checkbox"/> | SHNOTEOP      | 003174288626373376 | REPAYMENT HISTORY - EXTRACT |

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 |
| SHNOTEOP | School Repayment Information Loan Detail (Extract) | DRC016 |
| 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.*

|                          | Move to TQ                          | Message Class | Batch Number       | Description                 |
|--------------------------|-------------------------------------|---------------|--------------------|-----------------------------|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | SHNOTROP      | 003174288630110077 | REPAYMENT HISTORY - REPORT  |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | SHNOTEOP      | 003174288626373376 | REPAYMENT HISTORY - EXTRACT |

*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.

# Viewing Delinquent Borrowers Information on NSLDS

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

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

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

**NSLDS** PROFESSIONAL ACCESS  
National Student Loan Data System

## Enter Login Details

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

Username:  Password:

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 "Aid" tab from the main menu bar at the top of the screen.

Menu **Aid** Enroll Org Report Tran

[Change Password](#) | [System Requirements](#) | [Contact Us](#) | [FAQ](#) | [Down](#)

Step 3: Under the "Aid" tab select "Delinquent Borrowers."

Menu Aid **Enroll** Org Report Tran  
ment List | Grants **Delinquent Borrowers** | Exit Counseling History

Step 4: Enter the criteria for the delinquency records you wish to view.

|                          |                          |   |
|--------------------------|--------------------------|---|
| Sort By:                 | SSN                      |   |
| Display Only:            | School Code: 002002      |   |
|                          | Branch Code: *           | (*) for All   |
|                          | Federal Loan Servicer: * | <input type="button" value="Org Search"/> (*) for All |
|                          | Cohort Year: 2009        | (*) for All   |
| Delinquent 31-89 Days:   | No                       | <input type="button" value="Retrieve"/>               |
| Delinquent 90-149 Days:  | No                       |   |
| Delinquent 150-209 Days: | Yes                      |   |
| Delinquent 210-269 Days: | No                       |   |
| Delinquent 270-359 Days: | No                       |   |
| Delinquent 360+ Days:    | Yes                      |   |

**Branch Code.** Report will show all the reported delinquent loans at the six-digit OPEID level (leave the asterisk (\*) in the branch code field) or enter a branch location by including the last two digits of the eight-digit OPEID.

**Federal Loan Servicer.** Report will show the delinquent loans reported by the selected servicer. Leave \* (default) to select all federal loan servicers. Use the Org Search button next to this field for a list of all currently available servicers.

**Cohort Year.** Report will show all delinquent loans falling under the specified Cohort Year. Leave \* (default) to select all Cohort Years.

**Delinquency Period.** Delinquency Period will show all delinquent loans falling under the specified Period. A single Delinquency Period or a combination of periods may be selected. Periods that are not selected (not marked as Yes) will automatically default to No.

Step 5: After clicking the "Retrieve" button, delinquent borrower information matching the criteria you selected will display.

| # | SSN                         | Name                   | Address   | Phone                  |
|---|-----------------------------|------------------------|---|------------------------|
|   | ***-**-7375                 | YPPAS, ABBEY A         | 123 ANY STREET<br>123 ANY STREET<br>CHAMPAIGN, IA 985421944   |                        |
| 1 | Email:                      |                        |   |                        |
|   | Loan Type                   | Cohort Year            | Days Delinquent   | Federal Loan Servicer  |
|   | PL                          | 2009                   | 372   | DEPT OF ED/GREAT LAKES |
|   | OPB                         |                        |   | \$6,969                |
|   | ***-**-7416                 | VEKSCES, WHITNEY S     | 3610 EZIE AVE<br>3610 EZIE AVE<br>BROOKLYN, OR 293234473      |                        |
| 2 | Email:                      |                        |   |                        |
|   | Loan Type                   | Cohort Year            | Days Delinquent   | Federal Loan Servicer  |
|   | SU                          | 2009                   | 404   | DEPT OF ED/NET         |
|   | SF                          | 2009                   | 404   | DEPT OF ED/NET         |
|   | OPB                         |                        |   | \$3,301                |
|   | OPB                         |                        |   | \$1,797                |
|   | ***-**-0354                 | LYSSOSW, CHRISTOPHER R | 952 CORONA BLVD<br>952 CORONA BLVD<br>CHAMPAIGN, WI 985421944 |                        |
| 3 | Email: crtaylor@careers.edu |                        |   |                        |
|   | Loan Type                   | Cohort Year            | Days Delinquent   | Federal Loan Servicer  |
|   | SU                          | 2009                   | 377   | DEPT OF ED/GREAT LAKES |
|   | SF                          | 2009                   | 377   | DEPT OF ED/GREAT LAKES |
|   | OPB                         |                        |   | \$1,113                |
|   | OPB                         |                        |   | \$1,845                |

# Obtaining Delinquent Borrower and School Portfolio Reports from NSLDS

You may use the NSLDS Professional Access Web site to request detailed delinquent borrower and school loan portfolio information for students that are attending or attended your school. 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 online 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 delinquent borrower 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.)

## SUBMITTING THE REQUEST TO NSLDS

*Step 1: Log on to the NSLDS Professional Access website by entering your 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 "Delinquent Borrower Report," or "School Portfolio Report."*

|           | Report ID | Names                               |
|-----------|-----------|-------------------------------------|
| <b>1</b>  | DELQ01    | DELINQUENT BORROWER REPORT          |
| <b>2</b>  | DER001    | DATE ENTERED REPAYMENT REPORT       |
| <b>3</b>  | DRC015    | 24 MONTH REPAYMENT INFO LOAN DETAIL |
| <b>4</b>  | DRC016    | 36 MONTH REPAYMENT INFO LOAN DETAIL |
| <b>5</b>  | DRC035    | SCHOOL COHORT DEFAULT RATE HIST RPT |
| <b>6</b>  | EXTC01    | EXIT COUNSELING COMPLETION RESULTS  |
| <b>7</b>  | FAT001    | REQUEST FOR FINANCIAL AID HISTORY   |
| <b>8</b>  | OVP001    | SCHOOL OVERPAYMENT REPORT           |
| <b>9</b>  | PRKDF1    | PERKINS DEFAULT SUMMARY             |
| <b>10</b> | SCHDF1    | BORROWER DEFAULT SUMMARY REPORT     |
| <b>11</b> | SCHER1    | ENROLLMENT REPORTING SUMMARY REPORT |
| <b>12</b> | SCHLL1    | SCHOOL LOAN LIST                    |
| <b>13</b> | SCHPR1    | SCHOOL PORTFOLIO REPORT             |

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

**Report Format.** The Delinquent Borrower (DELQ01) report gives you the option of receiving the data in **Extract** or **Report** format.

ID: [DELQ01](#) Type: --Select-  
Name: DELINQUENT BORROWER

- 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.

#### Report Parameters DELQ01.

SCHOOL ID: 003329  
SCHOOL BRANCH ID: \* 99  
FEDERAL LOAN SERVICER: \* Org Search  
COHORT YEAR: \* CCYY  
DELINQUENT 31-89 DAYS: NO  
DELINQUENT 90-149 DAYS: NO  
DELINQUENT 150-209 DAYS: NO  
DELINQUENT 210-269 DAYS: NO  
DELINQUENT 270-359 DAYS: NO  
DELINQUENT 360+ DAYS: NO  
EXTRACT TYPE: STANDARD  
Sort By: --Select--  
Output Medium: SAIG

**School Branch ID DELQ01.** Report will show all the reported delinquent loans at the six-digit OPEID level (leave the asterisk (\*) in the branch ID field) or enter a branch location by including the last two digits of the eight-digit OPEID.

**Federal Loan Servicer DELQ01.** Report will show the delinquent loans reported by the selected servicer. Leave \* (default) to select all federal loan servicers. Use the Org Search button next to this field for a list of all currently available servicers.

**Cohort Year DELQ01.** Report will show all delinquent loans falling under the specified Cohort Year. Leave \* (default) to select all Cohort Years.

**Delinquency Period DELQ01.** Delinquency Period will show all delinquent loans falling under the specified Period. A single Delinquency Period or a combination of periods may be selected. Periods that are not selected (not marked as Yes) will automatically default to No.

DELINQUENT 31-89 DAYS: --Select--  
DELINQUENT 90-149 DAYS: --Select--  
NO  
YES

**Extract Type DELQ01.** Batch file format in which the information is sent as a "string" of data.

EXTRACT TYPE: --Select--  
Sort By: --Select--  
Output Medium: COMMA DELIMITED  
STANDARD  
DOWNLOAD

- Comma Delimited- raw data document similar to a Fixed Width reporting type. However, with Comma Delimited, the fields are separated by commas, rather than an explicit number of spaces.
- Standard- raw data document generated in a fixed width reporting format.

**Sort By DELQ01**

Sort By: --Select-  
 Output Medium: --Select-  
 1 SSN  
 2 LAST/FIRST NAME

- Select "SSN" sorts the borrowers in Social Security Number order. Or,
- "Last/First Name" sorts by the borrower's last and first name

**Report Format.** The School Portfolio (SCHPR1) report is available in **Extract** format only.

ID: [SCHPR1](#) Type: Extract  
 Name: SCHOOL PORTFOLIO REPORT

- With an extract a school can customize the data by querying and sorting the repayment information based on the school's individual needs.

**Report Parameters (SCHPR1).**

SCHOOL ID: 003329  
 SCHOOL BRANCH ID: \* 99  
 ENTER REPAY BEGIN DT: 01/01/0001 MM/DD/CCYY  
 ENTER REPAY END DT: 12/31/2998 MM/DD/CCYY  
 LOAN STATUS: ALL  
 LOAN PROGRAM TYPE: BOTH  
 Sort By: --Select-  
 Output Medium: SAIG

**School Branch ID (SCHPR1).** Report will show all Direct Loans and FFEL loans at the six-digit OPEID level (leave the asterisk (\*) in the branch ID field) or enter a branch location by including the last two digits of the eight-digit OPEID.

**Date Entered Repayment Begin and End date range (SCHPR1).**

Report will show DL or FFEL loan who are scheduled to go into repayment during the specified date range. Enter repayment begin and end date range of three years or less. Ranges greater than 3 years will not produce results and not information will be returned.

**Loan Status (SCHPR1)** A user can receive select all loans or limit the number of Loans return based on the Loan status category selected.

LOAN STATUS: ALL  
 LOAN PROGRAM TYPE: --Select-  
 Sort By:  
 Output Medium:  
 ALL  
 OPEN DISABILITY  
 CLOSED  
 DEFAULTED  
 IN-SCHOOL  
 OPEN  
 PAYMENT SUSPENDED  
 IN-REPAYMENT  
 UNREINSURED

- **All- Open and Close Loans**
- **Open Disability**
  - DI- Disability
  - VA- Disabled Veteran Discharged
- **Closed- All Closed loans**
- **Defaulted**
  - DB- Defaulted, Then Bankrupt, Active, Chapter 13
  - DF- Defaulted, Unresolved
  - DL- Defaulted, In Litigation
  - DO- Defaulted, Then Bankrupt, Active, Other
  - DU- Defaulted, Unresolved
  - DX- Defaulted, Six Consecutive Payments
  - DT- Defaulted, Collection Terminated
  - DZ- Defaulted, Six Consecutive Payments, Then Missed Payment(s)
  - FR- Fraud
  - XD- Defaulted, Six Consecutive Payments
- **In-School**
  - IA- Loan Originated
  - ID- In School or Grace Period
  - IG- In Grace Period
  - IM- In Military Grace
- **Open –All Open Loans**

- **Payment Suspended**
  - AL- Abandoned loan
  - BK- Bankruptcy, Active
  - DA- Deferred
  - FB- Forbearance
- **In-Repayment**
  - RP- In Repayment
  - UA- Temporarily uninsured-loan not in default
  - UB- Temporarily uninsured-loan in default
- **Un-reinsured**
  - UC- Permanently Uninsured / Un-reinsured-loan not in default

**Loan Program Type (SCHPR1).** A user can receive all loans (select “Both”) or limit the number of Loans return by selecting the Direct Loan Program or FFEL loan program.

A screenshot of a web form with a light green background. It contains three dropdown menus: 'LOAN PROGRAM TYPE:' with a '--Select-' option, 'Sort By:' with options 'BOTH', 'DL', and 'FFEL', and 'Output Medium:' which is currently empty.

**Sort By (SCHPR1)**

A screenshot of a web form with a light green background. It contains two dropdown menus: 'Sort By:' with a '--Select-' option, and 'Output Medium:' with options '1 SSN' and '2 LAST/FIRST NAME'.

- Select “SSN” sorts the borrowers in Social Security Number order. Or,
- “Last/First Name” sorts by the borrower’s last and fist name..

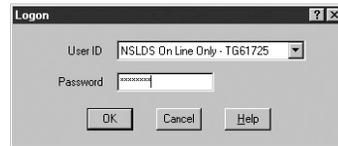
*Step 5: Select Submit and Verify that the information is correct and click “Confirm.”*

*A message will appear indicating the request was successfully submitted. If the repayment information is requested before 10 a.m. EST, the file will usually be available by the end of that business day. If the repayment information is requested after 10 a.m. EST, the file will usually 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; or request data with different criteria, such as delinquency dates or loan types.*

# Downloading Delinquent Borrower and School Portfolio Report Information from the SAIG Mailbox

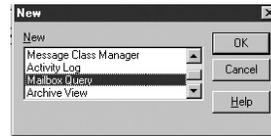
Before downloading the delinquent borrower information or school portfolio information from the SAIG mailbox, ensure the TG# mailbox associated with the NSLDS online User ID you used when logging on to the NSLDS website is set up in the EDconnect software. If this has not been done, contact CPS/SAIG 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.*

| Move to TQ                          | Message Class | Batch Number     | Item Number          | Description                                  |
|-------------------------------------|---------------|------------------|----------------------|--|
| <input type="checkbox"/>            | AHSLDEOP      | 0000000000000000 | 20110621400198742764 | AD HOC EXTRACTS                              |
| <input type="checkbox"/>            | DELQCMOP      | 0000000000000000 | 20110621400198747461 | NSLDS DELINQ BORROWER REPORT COMMA DELIMITED |
| <input type="checkbox"/>            | DELQFFOP      | 0000000000000000 | 20110621400198747851 | NSLDS DELINQ BORROWER REPORT FIXED LENGTH    |
| <input checked="" type="checkbox"/> | DELQFMOP      | 0000000000000000 | 20110621400198748010 | NSLDS DELINQ BORROWER REPORT FORMATTED       |

The message classes consist of eight letters:

- DELQFMOP Delinquent Borrower (Report) DELQ01
- DELQCMOP Delinquent Borrower(Extract: Comma Delimited) DELQ01
- DELQFFOP Delinquent Borrower (Extract :Fix Length ) DELQ01
- AHSLDEOP School Portfolio (Extract) SCHPR1

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

| Move to TQ                          | Message Class | Batch Number     | Item Number          | Description                                  |
|-------------------------------------|---------------|------------------|----------------------|--|
| <input type="checkbox"/>            | AHSLDEOP      | 0000000000000000 | 20110621400198742764 | AD HOC EXTRACTS                              |
| <input type="checkbox"/>            | DELQCMOP      | 0000000000000000 | 20110621400198747461 | NSLDS DELINQ BORROWER REPORT COMMA DELIMITED |
| <input type="checkbox"/>            | DELQFFOP      | 0000000000000000 | 20110621400198747851 | NSLDS DELINQ BORROWER REPORT FIXED LENGTH    |
| <input checked="" type="checkbox"/> | DELQFMOP      | 0000000000000000 | 20110621400198748010 | NSLDS DELINQ BORROWER REPORT FORMATTED       |

*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 the Department when those contacts change;
- ◆ notify the Department 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.

### ***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 contact the Department 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 contact the Department 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 inform schools and the Department 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 the Department within the appropriate time frame. The data manager must also inform the Department of the incorrect submission.

When using the eCDR Appeals system, if you do not hold the loan that is being challenged, you should forward the DM adjustment ID to the correct data manager, following the guidelines on page 55 of the eCDR Appeals IDC User Guide, which is available on the eCDR Appeals homepage.

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 the Department a notice stating that the loans have been assigned to the Department. The data manager should

instruct schools to send the request to the Department 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 the Department.

After a data manager is informed by the Department 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 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.

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

**Please send ALL correspondence related to Cohort Default Rate challenges/adjustment/appeals to the following addresses:**

*The Department 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 correspondence as well as all other electronic and hardcopy documentation submitted as a part of the challenges/adjustment/appeals to process.*

*The data manager can use this information when submitting information to the Department.*

*If sending by courier:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

## 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.

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

**Regulatory citations:**  
34 CFR 668.185,  
668.204

### ***Which schools are eligible to submit an incorrect data challenge?***

Any school that receives a draft cohort default rate is provided the opportunity to submit an incorrect data challenge. 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 William D. Ford Federal Direct Loan (Direct Loan) program 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
- ◆ a borrower was incorrectly excluded from the draft cohort default rate calculation.

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

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; 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 after the release of the official cohort default rates to request that the Department 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. The data manager must respond to the school's incorrect data allegations within 30 calendar days of receipt. 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 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.

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

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. The Department as data manager responds directly to a school's incorrect data challenge for certain FFELs that the Department holds. The Department as data manager responds through its servicers to a school's incorrect data challenge for all Direct Loans and for certain FFEL loans the Department holds.

### ***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. 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?***

All schools must submit their incorrect data challenge via the electronic Cohort Default Rate Appeals ([eCDR Appeals](#)) system. The eCDR Appeals system is a web-based application that allows schools to submit their incorrect data challenge allegations electronically, allows the data manager to respond electronically, and allows the Department to review the data manager response electronically. Submitting the incorrect data challenge electronically helps to ensure that each incorrect data challenge allegation is properly routed to the correct data manager in a timely fashion. It also allows for greater protection of personally identifiable information. While the hyperlink above will take users directly to the eCDR Appeals homepage, a link to the eCDR Appeals system is also available from the [Default Prevention and Management website](#).

### ***How does a school register to use eCDR Appeals?***

All schools must complete the registration process in order to use the eCDR Appeals system. Complete instructions for registering for eCDR Appeals can be found in the [eCDR Appeals Registration and User Account Guide](#). A direct link to this guide, as well as a link to a video demonstration of the registration process, can be found on the eCDR Appeals homepage.

### ***Where can a new user find guidance on submitting an incorrect data challenge using eCDR Appeals?***

The eCDR Appeals homepage contains a link to the [eCDR Appeals Incorrect Data Challenge User Guide](#). There are separate User Guides for each challenge, adjustment and appeal type that may be submitted using eCDR Appeals. Additionally, the eCDR Appeals homepage contains a link to video

#### **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.

demonstrations for each challenge, adjustment and appeal type that may be submitted using eCDR Appeals.

### ***What information must a school gather to prepare its incorrect data challenge?***

A school submitting an incorrect data challenge will need to enter the following information for each borrower that the school alleges contains inaccurate data:

- ◆ The borrower SSN, name, basis of alleged error (chosen from a drop-down listing), last date of attendance, date entered repayment, default date (if applicable) and effect on calculation. This information will be entered on the Adjustment Details screen in eCDR Appeals.
- ◆ 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). This information must be available in an electronic format as it must be uploaded to eCDR Appeals.
- ◆ Copies of the appropriate pages from the LRDR are no longer required from the school, as the LRDR will be pre-loaded into eCDR Appeals when the school initiates its incorrect data challenge.

Once the school has entered all of its allegations and is ready to submit the case, the school will be required to upload the CEO certification letter. This letter must be available in an electronic format. A sample CEO certification letter is provided at the end of this chapter.

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

Data managers will receive email notification from eCDR Appeals when an incorrect data challenge has been submitted that includes borrower loans that the data manager currently holds. Data managers must respond to a school's timely submitted incorrect data challenge via the eCDR Appeals system. 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 which the data manager holds within 30 calendar days of receipt.

A data manager must review each incorrect data challenge allegation submitted by the school to determine the following:

- ◆ 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 for some or all of the allegations, the data manager should forward the allegation to the data manager that currently holds the loans in question.

- ◆ The data manager should determine if all necessary supporting documentation is present. If a school fails to provide the data manager with all necessary supporting documentation, the data manager may ask the school to submit the missing information. However, the school must submit this additional supporting documentation to the data manager within the initial 45-calendar-day deadline for submitting incorrect data challenges. If the school does not submit the additional supporting documentation within the deadline, the data manager will not consider the additional supporting documentation in its review of the incorrect data challenge allegation.
- ◆ The data manager should determine if its documentation supports or refutes each of the incorrect data challenge allegations submitted by the school.

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 in the "Comments" field why it disagrees with the school and include a copy of the data manager's supporting documentation.

After making its determinations, the data manager must enter a response to each incorrect data challenge allegation submitted by the school. The responses will be entered on the Data Manager Adjustment Details screen in eCDR Appeals. 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's response must include the following:

- ◆ An indication that the data manager agrees or disagrees with the school's allegation. If the data manager disagrees, they must indicate the correct last date of attendance, date entered repayment and default date (if applicable), as well as a comment indicating why the data manager disagrees with the school's allegation.
- ◆ Copies of supporting documentation for each incorrect data challenge allegation with which the data manager disagreed.

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

Once a data manager has submitted its response to the school's incorrect data challenge, the school will receive an email notification from eCDR Appeals. The school should review the data manager response for each of the allegations included in the incorrect data challenge. 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 via eCDR Appeals 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 receipt. A school cannot appeal a data manager's final incorrect data challenge response during the draft cycle. An incorrect data challenge response can only be appealed during the official cycle if the school meets the qualifications to submit an erroneous data appeal, as explained in Chapter 4.5.

### ***What does the Department do with a data manager's incorrect data challenge response?***

The Department reviews the data manager response to ensure that the response is correct. If the Department has any questions regarding a data manager response, the Department will request additional information from the data manager. If the data manager made an error in its response, the Department will request that the data manager correct their response in eCDR Appeals. The data manager will also need to resubmit the corrected data to NSLDS and correct its internal records.

### ***What happens after the Department has completed its review of the incorrect data challenge?***

After the Department completes its review of the incorrect data challenge, the Department closes the case in eCDR Appeals. Once a case is closed, it will remain in the Current Cases listing for the remainder of the cohort year for viewing and printing; however, it can no longer be modified. Email notifications will automatically be sent to the school and to all data managers included in the case, informing them that the incorrect data challenge has been finalized and closed. At this point the schools and data managers can view and print the finalized case and access all relevant reports available from eCDR Appeals.

## Sample CEO Certification Letter



February 14, 2012

U.S. Department of Education  
Business Operations  
Union Center Plaza, 114B4  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2010 Incorrect Data Challenge

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is challenging the data found in our loan record detail report for the FY 2010 draft cohort default rate. Please see the information included in the incorrect data challenge case submitted via eCDR Appeals.

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

*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.*

# Incorrect Data Challenge Checklists

## School to eCDR Appeals

### Determine

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

### Submit to eCDR Appeals

- Relevant information for each borrower challenged
- Supporting Documentation for each borrower challenged
- CEO Certification Letter

## Data Manager to eCDR Appeals

### 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 via eCDR Appeals

- Relevant information for each borrower challenged
- Supporting Documentation for all Disagrees

### Follow-up

- Update NSLDS and internal records (if necessary)

### ***What is a participation rate index challenge?***

A participation rate index challenge alleges that a school should not be subject to a potential loss of loan eligibility (or, after September, 2014, potential placement on provisional certification based on three-year cohort default rates) because the school has a participation rate index that meets one of the following thresholds (with the most recent draft rate considered for purposes of this challenge only as the most recent cohort default rate):

#### Two-year CDR calculation

- For a school that is subject to potential loss of eligibility based on most recent three consecutive cohort default rates of 25.0 percent or greater—participation rate index for at least one of those fiscal years of 0.0375 or less
- For a school that is subject to potential loss of eligibility based on most recent cohort default rate over 40.0 percent —participation rate index of 0.06015 or less

#### Three-year CDR calculation

- For a school that is subject to potential loss of eligibility based on most recent three consecutive cohort default rates of 30.0 percent — participation rate index for at least one of those fiscal years of 0.0625 or less
- For a school that is subject to potential loss of eligibility based on most recent cohort default rate over 40.0 percent—participation rate index of 0.06015 or less
- For a school that is subject to potential provisional certification based on two out of three most recent cohort default rates of 30.0 percent or greater—participation rate index of 0.0625 or less

**Regulatory citations:**  
34 CFR 668.185 (c); 34 CFR 668.204(c)

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

| 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 the U.S. Department of Education (Department)                                 | <i>Within 45 days of timeframe begin date</i>                 |
|  | Department 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   |   |

***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 rate or rates anticipated to result in a sanction. 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 loss of eligibility or provisional certification after release of the official cohort default rates. If the loss of eligibility will be due to three consecutive years of an official cohort default rate that is 25.0 percent or greater for the two-year calculation, or 30.0 percent or greater for the three-year calculation, 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 loss of eligibility will be due to an official cohort default rate for This Year that, based on the draft rate, is expected to be 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. If the school will be subject to potential provisional certification after September, 2014 due to two out of three of its most recent cohort default rates being 30.0 percent or greater, the school can submit a participation rate index challenge based on a draft cohort default rate greater than 30.0 percent, or an official cohort default rate greater than 30.0 percent for Last Year or Two Years Ago (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 which are 25.0 percent or greater for the two-year calculation, or 30.0 percent or greater for the three-year calculation. | 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  |
| Potential provisional certification due to two of last three years of three-year cohort default rates greater than 30.0 percent.   | Yes – Draft Cohort Default Rate if greater than 30.0 percent | Yes – Official Cohort Default Rate if greater than 30.0 percent | Yes – Official Cohort Default Rate if greater than 30.0 percent |

### ***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, there is no potential benefit to submitting a participation rate index challenge for a school whose two year draft rate is below 25 % or whose three year draft rate is below 30 percent.

### ***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 loss of eligibility or potential provisional certification, 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 or provisional certification 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 |
|--------------------|----------------------|---|---|
| 2008               | 10/01/2007           | 04/02/2006-10/01/2006                     | 04/01/2007-09/30/2007                   |
| 2009               | 10/01/2008           | 04/02/2007-10/01/2007                     | 04/01/2008-09/30/2008                   |
| 2010               | 10/01/2009           | 04/02/2008-10/01/2008                     | 04/01/2009-09/30/2009                   |
| 2011               | 10/01/2010           | 04/02/2009-10/01/2009                     | 04/01/2010-09/30/2010                   |
| 2012               | 10/01/2011           | 04/02/2010-10/01/2010                     | 04/01/2011-09/30/2011                   |
| 2013               | 10/01/2012           | 04/02/2011-10/01/2011                     | 04/01/2012-09/30/2012                   |
| 2014               | 10/01/2013           | 04/02/2012-10/01/2012                     | 04/01/2013-09/30/2013                   |
| 2015               | 10/01/2014           | 04/02/2013-10/01/2013                     | 04/01/2014-09/30/2014                   |

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 2010

| 12-Month Period       | Status       | Reason  |
|-----------------------|--------------|---|
| 04/02/2008-04/01/2009 | Acceptable   | Starts within acceptable range; 12 months later within acceptable range |
| 04/02/2008-04/02/2009 | Unacceptable | Starts within acceptable range; more than 12 months later               |
| 04/01/2008-03/31/2009 | 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, the Department 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 the Department 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.

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

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 half-time 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:

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

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

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

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

To avoid a potential loss of eligibility or potential placement on provisional certification, the school's participation rate index must not exceed the relevant threshold as indicated on page 4.2-1.

For example, School A's draft two-year cohort default rate for the current cohort fiscal year is 25.0 percent. School A's two most recent official two-year cohort default rates were 26.0 percent and 28.0 percent. As a result, if School A's official two-year cohort default rate for this cohort fiscal year is also 25.0 percent, School A will be subject to loss of eligibility because it will have three consecutive years of official two-year 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 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 challenge would be unsuccessful.

As another example, School B's draft two-year cohort default rate is 50.0 percent. School B's two most recent two-year official cohort default rates were 20.0 percent and 31.0 percent. As a result, if School B's official two-year cohort default rate is also 50.0 percent, School B will be subject to loss of eligibility 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 recent official cohort default rates are two-year rates of 25.0 percent and 31.0 percent, School B is also subject to loss of eligibility because it will have three consecutive official two-year 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 the Department for review and consideration. The Department 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 the Department.

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 the Department. The data manager should also indicate that the participation rate index challenge must be sent to the Department within the initial 45-calendar-day timeframe. The data manager should then notify the Department 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 the Department. However, to avoid sanctions, the school's letter to the Department 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. To avoid a potential loss of eligibility or potential placement on provisional certification, the school's participation rate index must meet the relevant threshold as indicated on page 4.2-1.

#### **Sample Participation Rate Index Challenge Spreadsheet**

Type: Participation Rate Index Challenge  
Cohort FY: 2009  
From: Graphic Tech  
Code: 099999  
To: Default Management  
Code NA

Cohort Default Rate: 50.0%  
12-Month Period: 9/01/2007 – 08/31/2008  
Total Borrowers: 2  
Total Regular Students: 50  
PRI: 0.02

|          | <b>A</b>                 | <b>B</b>                  | <b>C</b>                                  | <b>D</b>                      | <b>E</b>                |
|----------|--------------------------|---------------------------|---|-------------------------------|-------------------------|
|          | <b>Student's<br/>SSN</b> | <b>Student's<br/>Name</b> | <b>Student's<br/>Enrollment<br/>Dates</b> | <b>Loan Type<br/>(if any)</b> | <b>Loan Period</b>      |
| <b>1</b> |                          |                           |   |                               |                         |
| <b>2</b> | 111-11-1111              | Ross, Betsy               | 08/15/2007 - 05/25/2008                   | FFEL                          | 08/15/2007 - 05/26/2008 |
| <b>3</b> | 222-22-2222              | Adams, John               | 05/15/2007 - 05/26/2008                   | DL                            | 08/15/2007 - 12/30/2008 |
| <b>4</b> | 333-333-3333             | Washington, Martha        | 08/15/2007- 12/30/2007                    | No                            | N/A                     |

Date 02/14/2011

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>*

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 the Department. 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 the Department 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

### **How a school submits a Participation Rate Index challenge to the Department**

*The Department 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  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
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?***

The Department will review, using the standard of review described in 34 CFR 668.185(c) or 668.204(c), only the information submitted with the participation rate index challenge and will not review information submitted after the 45 calendar-day deadline. The Department will send the school a letter notifying the school of the Department's decision before the official cohort default rates are published. The Department'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 loss of eligibility or potential provisional certification 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 loss of eligibility or potential provisional certification 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, the Department 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 any subsequent loss of eligibility or potential provisional certification based on that official cohort default rate.

## Sample Participation Rate Index Challenge Letter



# Graphic Tech

2341 Toulouse Street  
Cape Canaveral, FL 32931-2341

February 14, 2011

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPEID 099999

Subject: Cohort FY 2009 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 2009 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, 2007 and ended on August 31, 2008. 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 the Department

#### 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 the Department

- Spreadsheet
- Letter

## 4.3 Uncorrected Data Adjustment

### ***What is an uncorrected data adjustment?***

An uncorrected data adjustment is a request submitted to the U.S. Department of Education (the Department) 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.

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              | September                              |
|                                       | School sends Department completed Uncorrected Data Adjustment via eCDR Appeals | Within 30 days of timeframe begin date |

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

### ***Which schools are eligible to submit an uncorrected data adjustment?***

Any school that receives an official cohort default rate may request that the Department adjust its cohort default rate if it meets the uncorrected data adjustment criteria as shown in the above chart. This includes schools that are not subject to sanction and schools that have withdrawn from the William D. Ford Federal Direct Loan (Direct Loan) Program. A school can only request an adjustment of its most recent official cohort default rate.

**Regulatory citations:**  
34 CFR 668.190  
34 CFR 668.209

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

### ***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), the Department determines that a school's official cohort default rate data is incorrect, the Department 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 the Department 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 the Department'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 the Department via the eCDR Appeals system for review and consideration. The data manager associated with the uncorrected data is notified via email.

If the Department 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). The data manager must ensure that the changes are successfully loaded into NSLDS.

### ***How does a school submit an uncorrected data adjustment?***

All schools must submit their uncorrected data adjustment via the electronic Cohort Default Rate Appeals ([eCDR Appeals](#)) system. The eCDR Appeals system is a web-based application that allows schools to submit their uncorrected data adjustment allegations electronically, allows the data manager to respond electronically, and allows the Department to review the data manager response electronically. Submitting the uncorrected data adjustment electronically helps to ensure that each uncorrected data adjustment allegation is properly routed to the Department in a timely fashion. It also allows for greater protection of personally identifiable information. While the hyperlink above will take users directly to the eCDR Appeals homepage, a link to the eCDR Appeals system is also available from the [Default Prevention and Management website](#).

### ***How does a school register to use eCDR Appeals?***

All schools must complete the registration process in order to use the eCDR Appeals system. Complete instructions for registering for eCDR Appeals can be found in the [eCDR Appeals Registration and User Account Guide](#). A direct

link to this guide, as well as a link to a video demonstration of the registration process, can be found on the eCDR Appeals homepage.

### ***Where can a new user find guidance on submitting an uncorrected data adjustment using eCDR Appeals?***

The eCDR Appeals homepage contains a link to the [eCDR Appeals Incorrect Data Challenge User Guide](#). There are separate User Guides for each challenge, adjustment and appeal type that may be submitted using eCDR Appeals. Additionally, the eCDR Appeals homepage contains a link to video demonstrations for each challenge, adjustment and appeal type that may be submitted using eCDR Appeals.

### ***How does a school prepare an uncorrected data adjustment?***

If a school's LRDR for the official cohort default rate contains uncorrected data, it should submit an uncorrected data adjustment to the Department via eCDR Appeals.

The eCDR Appeals system will 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 this comparison indicates that the LRDR for the official cohort default rates contains uncorrected data, the eCDR Appeals system will send an email notification to the school informing the school that its official LRDR contains uncorrected data from the incorrect data challenge, and that the school should submit an uncorrected data adjustment via eCDR Appeals. The school should follow the instructions in the uncorrected data adjustment user guide to prepare and submit its uncorrected data adjustment. The school must do so within 30 calendar days of the timeframe begin date.

The uncorrected data adjustment must include the following items:

- ◆ A listing of all borrowers from the school's incorrect data challenge with uncorrected data. The eCDR Appeals system will automatically populate this listing into the "Requested Adjustments" table on the case details page after the school initiates the case.
- ◆ The CEO certification letter. This letter must be available in an electronic format and uploaded to eCDR Appeals. A sample CEO certification letter is provided at the end of this chapter.

### ***What happens after the school submits the uncorrected data adjustment?***

The Department will review the uncorrected data adjustment to determine 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 the

A school will not have another opportunity to submit an uncorrected data adjustment.

Department so determines using the standard of review described in 34 CFR 668.189(f) or 668.208(f), as applicable, the Department will recalculate the school's cohort default rate based on the correct data.

After the Department completes its review of the uncorrected data adjustment, the department closes the case in eCDR Appeals. Once a case is closed, it will remain in the Current Cases listing for the remainder of the cohort year for viewing and printing; however, it can no longer be modified. Email notifications will automatically be sent to the school and to all data managers included in the case, informing them that the uncorrected data adjustment has been finalized and closed. At this point the schools and data managers can view and print the final determination letter, view and print the finalized case, and access all relevant reports available from eCDR Appeals.

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, the Department 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, the Department 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 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 the Department



October 14, 2012

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 084F  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2010 Uncorrected Data Adjustment

To Whom It May Concern:

Coralville College, OPE ID 098998, is submitting a cohort FY 2010 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: Federal 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 the Department

### Determine

- Does the loan record detail report for the official cohort default rates contain incorrect data that a data manager agreed to correct?

### Submit to the Department

- Spreadsheet
- Copy of the Data Manager Uncorrected Data Adjustment Response.
- 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.

| <b>New Data Adjustment Timeframe</b> |   |  |
|--------------------------------------|---|--|
| <b>Draft Cycle</b>                   | Not applicable  |  |
| <b>Official Cycle</b>                | School receives official cohort default rate notification package             | <i>September</i>   |
|                                      | School sends New Data Adjustment allegations to Data Manager via eCDR Appeals | <i>Within 15 days of timeframe begin date</i>                                |
|                                      | Data Manager sends New Data Adjustment response to school via eCDR Appeals    | <i>Within 20 days of receipt of school’s New Data Adjustment allegations</i> |
|                                      | If necessary, school requests clarification via eCDR Appeals                  | <i>Within 15 days of receipt of Data Manager response</i>                    |
|                                      | Data Manager sends requested information to school via eCDR Appeals           | <i>Within 20 days of receipt of school’s clarification request</i>           |
|                                      | School sends completed New Data Adjustment via eCDR Appeals                   | <i>Within 30 days of receipt of final Data Manager response</i>              |

**Regulatory citations:**  
 34 CFR 668.191  
 34 CFR 668.210

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.

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), the Department determines that a school's official cohort default rate data is incorrect, the Department 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.

### ***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. 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.

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 the Department 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 the Department as a part of a new data adjustment. If the Department determines that the data manager correctly agreed that changes are warranted to the new data identified by the school, the

Department 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.

The Department as data manager responds directly to a school's new data adjustment allegations for certain FFELs that the Department holds. These loans are identified in the LRDR with a guarantor/ servicer code of 555, 577, 627, and 631.

The Department as data manager responds through its Federal servicers to a school's new data adjustment allegations regarding all Direct Loans and for certain FFEL loans that the Department holds. These loans are identified in the LRDR with a guarantor/servicer code of 578, 579, 580, 581, and 583.

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

All schools must submit their new data adjustment via the [eCDR Appeals](#) system. The eCDR Appeals system is a web-based application that allows schools to submit their new data adjustment allegations electronically, allows the data manager to respond electronically, and allows the Department to review the data manager response electronically. Submitting the new data adjustment electronically helps to ensure that the new data adjustment is properly routed to the Department in a timely fashion. It also allows for greater protection of personally identifiable information. While the hyperlink above will take users directly to the eCDR Appeals homepage, a link to the eCDR Appeals system is also available from the [Default Prevention and Management website](#).

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

Data managers will receive email notification from eCDR Appeals when a new data adjustment has been submitted that includes borrower loans that the data manager currently holds. Data managers must respond to a school's timely submitted new data adjustment via the eCDR Appeals system. Timing is critical when responding to a school's new data adjustment. A data manager is required to respond to a school's timely submitted new data adjustment for those loans which the data manager holds within 20 calendar days of receipt.

A data manager must review each new data adjustment allegation submitted by the school to 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

for some or all of the allegations, the data manager should forward the allegation to the data manager that currently holds the loans in question.

- ◆ The data manager should determine if all necessary supporting documentation is present. If a school fails to provide the data manager with all necessary supporting documentation, the data manager may ask the school to submit the missing information. However, the school must submit this additional supporting documentation to the data manager within the initial 15-calendar-day deadline for submitting new data adjustments. If the school does not submit the additional supporting documentation within the deadline, the data manager will not consider the additional supporting documentation in its review of the new data adjustment allegation.
- ◆ The data manager should determine if its documentation supports or refutes each of the new data adjustment allegations submitted by the school.

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 in the "Comments" field why it disagrees with the school and include a copy of the data manager's supporting documentation.

After making its determinations, the data manager must enter a response to each new data adjustment allegation submitted by the school. The responses will be entered on the Data Manager Adjustment Details screen in eCDR Appeals. 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's response must include the following:

- ◆ An indication that the data manager agrees or disagrees with the school's allegation. If the data manager disagrees, they must indicate the correct last date of attendance, date entered repayment and default date (if applicable), as well as a comment indicating why the data manager disagrees with the school's allegation.
- ◆ Copies of supporting documentation for each new data adjustment allegation with which the data manager disagreed.

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

Once the data manager has submitted its response to the school's new data adjustment allegations, the school will receive an email notification from eCDR Appeals. The school should review the data manager response for each of the allegations included in the new data adjustment. 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 via eCDR Appeals within 15 calendar days of the receipt of the new data adjustment allegations response. The data manager should respond to the school's inquiry within 20 calendar days of receipt. If the school does not require clarification for any of the new data adjustment allegation responses, the school may end the clarification period by selecting the "No Clarification Needed" button, as described in Chapter 14.1 of the eCDR Appeals New Data Adjustment User Guide.

Within 30 calendar days of receiving the final response to all of the school's new data adjustment allegations, the school must decide how to proceed with its new data adjustment. If the data manager response indicates there is no new incorrect new data in the school's official cohort default rate calculation, the school can proceed no further with the new data adjustment and should notify the Department that the school is withdrawing the new data adjustment, as described in Chapter 14.4 of the eCDR Appeals NDA User Guide. A school cannot appeal a data manager's new data adjustment allegations response to the Department, unless submitted as part of an erroneous data appeal, as explained in Chapter 4.5.

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

### ***What happens after the school submits the new data adjustment?***

The Department will review the new data using the standard of review described in 34 CFR 668.189(f) or 34 CFR 668.209(f). If the Department determines that a school's cohort default rate calculation data is incorrect, the Department will recalculate the school's cohort default rate based on the correct data.

After the Department completes its review of the new data adjustment, the Department closes the case in eCDR Appeals. Once a case is closed, it will remain in the Current Cases listing for the remainder of the cohort year for viewing and printing; however, it can no longer be modified. Email notifications will automatically be sent to the school and to all data managers included in the case, informing them that the new data adjustment has been finalized and closed. At this point the schools and data managers can view and print the final determination letter, view and print the finalized case, and access all relevant reports available from eCDR Appeals.

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, the Department 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 appeals and adjustments, the Department 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 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 CEO Certification Letter

### *Coralville College*

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

October 14, 2012

U.S. Department of Education  
Operations Performance Management  
Union Center Plaza 114B4  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2010 New Data Adjustment

To Whom It May Concern:

Coralville College, OPE ID 098998, is submitting a cohort FY 2010 new data adjustment. Please see the information included in the new data adjustment case submitted via the eCDR Appeals system.

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

*The letter must include the school's OPE ID number and a statement indicating that the school is submitting a new 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] New 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 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.*

# New Data Adjustment Checklists

## School to Data Manager via eCDR Appeals

### Determine

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

### Submit to Data Manager via eCDR Appeals

- ❑ Relevant Information for each borrower challenged
- ❑ Supporting Documentation each borrower challenged
- ❑ CEO Certification Letter

### Data Manager to School via eCDR Appeals 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 via eCDR Appeals

- ❑ Relevant Information for each borrower challenged
- ❑ Supporting Documentation for all Disagrees

### Follow-Up

- ❑ Update NSLDS and internal records

## **School to Department** via eCDR Appeals

### **Determine**

- ❑ Did the data manager agree with any of the new data adjustment allegations?
- ❑ Are there any disagrees that need to be removed prior to final submission?

### **Submit to Department via eCDR Appeals**

- ❑ Withdrawal Notice

### **OR**

- ❑ Relevant Information for each borrower challenged
- ❑ CEO Certification 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.

| <b>Erroneous Data Appeal Timeframe</b> |   |  |
|--|---|--|
| <b>Draft Cycle</b>                     | Not applicable  |  |
| <b>Official Cycle</b>                  | School receives notice of loss of eligibility 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 U.S. Department of Education (Department) | <i>Within 30 days of receipt of final data manager response, or, if applicable and later, as provided in 34 CFR 668.191(b)(6)(ii) or 668.211(b)(6)(ii)</i> |

**Regulatory citations:**  
**34 CFR 668.192**  
**34 CFR 668.211**

The “timeframe begin date” is the sixth business day after the official 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.

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 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), the Department determines that a school’s official cohort default rate calculation data is incorrect, the Department 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 the Department 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 the Department’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 the Department in writing of the delay.

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

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 the Department 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).

The Department as data manager responds directly to a school's erroneous data appeal allegations for certain FFELs that the Department holds. These loans are primarily identified in the LRDR with a guarantor/servicer code of 555, 577, 627 and 631. 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 as data manager responds through its Federal servicers to a school's erroneous data appeal allegations regarding all Direct Loans and for certain FFEL loans that the Department holds. These loans are identified in the LRDR with a guarantor/servicer code of 578, 579, 580, 581 and 583. In such a case, the Department will review the school's erroneous data appeal (which is submitted to the Department by the servicer once the school has received data manager responses for all of the school's erroneous data appeal allegations) just as the Department does with respect to loans for which the Department is not the data manager.

### ***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).
- ◆ 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: 2010  
 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               |
|---|----------------|-----------------|---------------|-----------------|------------------------|-----------------------|------------------------|-----------------------|--------------|-----------------------|--|-----------------|
| 1 | 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 |
| 2 | 111-11-1111    | Connell, Anissa | SF            | 1               | New                    | 02/11/2010            | 08/12/2010             | N/A                   | FY 2010      | +D                    | N/A  | N/A             |
| 3 | 222-22-2222    | Mackey, Caleb   | SF            | 1               | Disputed               | 11/18/2009            | 01/16/2010             | N/A                   | FY 2010      | -N                    | Borrower passed away prior to scheduled date entered repayment | N/A             |
| 4 |                |                 |               |                 |                        |                       |                        |                       |              |                       |  |                 |
| 5 |                |                 |               |                 |                        |                       |                        |                       |              |                       |  |                 |

Date 10/12/2012

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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>.

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 the Department.

The school must send a copy of the letter and the erroneous data appeal

*The Department 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.*

allegations spreadsheet to the Department 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 the Department at that time unless the school is making allegations about a FFEL that the Department holds.

***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 Default Prevention and Management 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 the Department. 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 timeframe begin date for the school from the Department. 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 the Department.

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 the Department 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.*

If the data manager does not hold the loans, the data manager should notify the school and the Department 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 the Department 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 the Department.

- ◆ *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 the Department.

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. 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: 2010  
 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 | 111-11-1111    | Connell, Anissa | SF            | 1               | New                    | 12/07/2005            | 06/08/2006             | N/A                   | FY 2010      | No Change             | The most recent enrollment notification from the school shows the last date of attendance is 12/07/2005. There is no documentation of 02/11/2010 as last date of attendance. | Disagree        |
| 2 | 222-22-2222    | Mackey, Caleb   | SF            | 1               | Disputed               | 11/18/2009            | 01/16/2010             | N/A                   | FY 2010      | -N                    | School timely submitted a letter and a copy of death certificate.  | Agree           |
| 3 |                |                 |               |                 |                        |                       |                        |                       |              |                       |  |                 |
| 4 |                |                 |               |                 |                        |                       |                        |                       |              |                       |  |                 |

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 the Department. 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**

*The Department 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 the Department. 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  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
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 the Department 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 the Department 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 the Department. 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 the Department.

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 the Department 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 the Department. 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 the Department 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 the Department.

No matter what course of action the school chooses to follow, it must send its erroneous data appeal or withdrawal letter to the Department 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 the Department along with 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 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, the Department 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 the Department.

The school must submit to the Department 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 the Department

Type: Erroneous Data Appeal  
 Cohort FY: 2010  
 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                    | 02/11/2010            | 08/12/2010             | N/A                   | FY 2010      | +D                    | Data Manager disagreed and stated borrower's last date of attendance was December 7, 2005. | N/A            | 111               |
| 3 | 222-22-2222    | Mackey, Caleb   | SF            | 1               | Disputed               | 11/18/2009            | 01/16/2010             | N/A                   | FY 2010      | -N                    | See Data Manager response  | N/A            | 111               |
| 4 |                |                 |               |                 |                        |                       |                        |                       |              |                       |  |                |                   |
| 5 |                |                 |               |                 |                        |                       |                        |                       |              |                       |  |                |                   |

Date 11/13/2012

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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, the Department 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 the Department.

## How a school submits an Erroneous Data Appeal to the Department

*The Department 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  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
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?***

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

If the Department determines, using the standard of review described in 34 CFR 668.189(f) or 34 CFR 668.208(f), that a school's official cohort default calculation data is incorrect, the Department 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, the Department 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), the Department 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 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 for the two-year calculation; or, beginning with the issuance of three-year official cohort default rates for FY 2011 in September, 2014, less than 30.0 percent for at least two of the three most recent fiscal years for the three-year calculation. 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, the Department 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 for the two-year calculation, or less than 30.0 percent for at least two of the three most recent

A school that is provisionally certified solely due to its official cohort default rates can submit an erroneous data appeal.

fiscal years for the three-year calculation, 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 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 the Department. 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 the Department. See the section of this chapter entitled "How does a data manager 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 the Department 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 the Department.

Within 30 calendar days after receiving the last response to its erroneous data appeal allegations, the school must submit its erroneous data appeal to the Department. 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 the Department.

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

If the Department determines, using the standard of review described in 34 CFR 668.189(f) or 34 CFR 668.208(f), that a school's official cohort default calculation data is incorrect, the Department 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 the relevant threshold, the school will not remain provisionally certified based solely on its cohort default rates.

## Sample Letter 1: School to Data Manager



**Graphic Tech**  
2341 Toulouse Street  
Cape Canaveral, FL 32931-3341

October 12, 2012

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 2010 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  
Operations Performance Division

*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 the Department. 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, 2012

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

OPE ID 099999

Subject: Cohort FY 2010 Erroneous Data Appeal Allegations Response

Dear Mr. Peachum:

This is State Guaranty Agency's response to the cohort FY 2010 erroneous data appeal allegations Graphic Tech, OPE ID 099999, submitted on October 12, 2012. 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 the Department.

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 the Department.

Sincerely,

Lesia Neiers  
Compliance Officer

Enclosures

cc: U.S. Department of Education  
Operations Performance Division

*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 the Department. 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 Department



# Graphic Tech

2341 Toulouse Street  
Cape Canaveral, FL 32931-3341

November 13, 2012

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza, 114B4  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2010 Erroneous Data Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting an erroneous data appeal to its cohort FY 2010 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 the Department. 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 loss of eligibility?
- 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 Department
- Update NSLDS and internal records, if necessary
- Send monthly status report to Department

## Erroneous Data Appeal Checklists (continued)

### 3. School to Department

#### 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 Department**
- Withdrawal notice

#### OR

- Spreadsheet
- Supporting documentation.
- Copy of the Data Manager Incorrect Data 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.” Failure to perform each of the servicing activities listed in 34 CFR 668.192(b), or 668.212(b), as applicable, constitutes improper loan servicing for cohort default rate purposes.

| <b>Loan Servicing Appeal Timeframe</b> |  |  |
|--|--|--|
| 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, and to the Department   | <i>Within 15 days of timeframe begin date</i>  |
|  | Data Manager notifies school and the Department of any fee for providing records, together with a list of the representative sample and a description of how the sample was chosen | <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, and sends the Department a copy of the cover letter   | <i>Within 20 days of receipt of payment (or within 20 days of receipt of school’s request, if no fee is charged)</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>  |

**Regulatory citations:**  
 34 CFR 668.193  
 34 CFR 668.212

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

|  |  |   |
|--|--|---|
|  | School sends completed Loan Servicing Appeal to the Department | <i>Within 30 days of receipt of records, except, if later, as provided in 34 CFR 668.193(c)(10)(ii) or 668.212(c)(10)(ii), as applicable, if school is also filing a new data adjustment or erroneous data appeal</i> |
|--|--|---|

***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 occurs:

- ◆ 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.

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 Federal 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 Federal 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 Federal 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 Federal Servicer was required but failed to document that skip tracing was performed if the Federal Servicer determined it did not have the borrower's current address.

If the borrower makes at least one loan payment or if the Federal 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 most recent 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 loss of eligibility 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), the Department determines that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, the Department 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 the Department 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 the Department'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 the Department 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 the Department 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.

The Department as data manager responds directly to a school's request for loan servicing records for certain FFELs that the Department holds. These loans are primarily identified in the LRDR with a guarantor/servicer code of 555, 577, 627 and 631. See the "Data Manager Information" on the Default Prevention and Management website, (under the "Cohort Default Rate Guide" link) for a listing of other codes that identify the Department as the holder of a loan.

The Department as data manager responds through its Federal Servicers to a school's request for loan servicing records for all Direct Loans and for certain FFEL loans that the Department holds. These loans are identified in the LRDR with a guarantor/servicer code of 583, 578, 579, 580 and 581. In such a case, the Department reviews the school's loan servicing appeal once the school submits it to the Department just as the Department does with respect to loans for which the Department is not the data manager.

### ***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.

*The Department 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 Federal Servicer and used by the Federal 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 provide 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:

- ◆ 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 the Department at the same time it sends the request to the data manager. The school does not need to send copies of the LRDRs to the Department 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 the Department. However, the school still needs to prepare separate requests for each cohort fiscal year.

The Department 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 Department’s 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 the Department. 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 the Department. 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 the Department.

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 the Department 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. The Department 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 the Department 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 the Department.

- ◆ *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 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 the 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 for use in determining the number of borrowers

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 the Department at [fsa.schools.default.management@ed.gov](mailto:fsa.schools.default.management@ed.gov).

who should be excluded from the calculation of the cohort default rate due to improper servicing. 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.

Within 20 days of receiving the school's request for loan servicing records, the data manager must send the school and the Department a list of the borrowers included in the representative sample and a description of how the sample was chosen.

***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 the Department 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 the Department that payment in full was not timely received and 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).

## Sample Spreadsheet for Loan Servicing Records – Data Manager to School

Type: Response to a Request for Loan Servicing Records  
 Cohort FY: 2013  
 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<br>SSN | Borrowers<br>Name | Type of<br>Defaulted<br>Loans | Number of<br>Defaulted<br>Loans | Payment<br>Made? | Date Letter<br>Sent | Date Call<br>Attempted | Date<br>Pre-Claims<br>Assistance<br>Requested | Date Final<br>Demand<br>Letter Sent | Address<br>Known? | Date of<br>Skip<br>Tracing<br>Activity | Illegible<br>Records? | Missing<br>Records? | Improperly<br>Serviced? |
| 1 |                  |                   |                               |                                 |                  |                     |                        |   |                                     |                   |  |                       |                     |                         |
| 2 | 777-77-7777      | Green, Marcia     | SF                            | 1                               | No               | 04/08/2013          | 05/07/2013             | No  | 11/07/2013                          | Yes               | N/A                                    | No                    | No                  | Yes                     |
| 3 | 777-77-7777      | Green, Marcia     | SU                            | 2                               | No               | 04/08/2013          | 05/07/2013             | No  | 11/07/2013                          | Yes               | N/A                                    | No                    | No                  | Yes                     |
| 4 | 888-88-8888      | Kent, Dale        | SF                            | 2                               | No               | 12/08/2013          | 01/06/2014             | 05/16/2014                                    | No                                  | Yes               | N/A                                    | No                    | No                  | Yes                     |
| 5 | 999-99-9999      | Clark, Shirley    | SF                            | 1                               | No               | 11/10/2013          | 11/12/2013             | 12/15/2013                                    | 01/04/2014                          | Yes               | N/A                                    | No                    | No                  | No                      |
| 6 | 999-99-9999      | Clark, Shirley    | SU                            | 1                               | No               | 11/10/2013          | 11/12/2013             | 12/15/2013                                    | 01/04/2014                          | Yes               | N/A                                    | No                    | No                  | No                      |

Date 10/07/2015

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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>.

- ◆ 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).

The data manager then sends the response to the school. The data manager must also send a copy of the letter and a copy of the list of borrowers to the Department. The data manager does not need to send copies of the loan servicing records to the Department.

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 the Department 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 the Department 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 the Department 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 the Department in writing that no additional or improved copies are available.

### **How a data manager submits a copy of its response to the Department**

*The Department 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 the Department. 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  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
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 the Department 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 the Department 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 the Department 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 the Department. 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 the Department 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, the Department 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 the Department. However, the school still needs to submit separate documentation for each loan servicing appeal.

The school must submit to the Department 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: 2013  
 From: Coralville College  
 Code: 098998  
 To: OPD  
 Code:

Number of Borrowers: 2  
 Number of Loans: 5

|   | A                | B                 | C                             | D                               | E                | F                   | G                      | H   | I                                   | J                 | K                                      | L                     | M                   | N                       |
|---|------------------|-------------------|-------------------------------|---------------------------------|------------------|---------------------|------------------------|---|-------------------------------------|-------------------|--|-----------------------|---------------------|-------------------------|
|   | Borrowers<br>SSN | Borrowers<br>Name | Type of<br>Defaulted<br>Loans | Number of<br>Defaulted<br>Loans | Payment<br>Made? | Date Letter<br>Sent | Date Call<br>Attempted | Date<br>Pre-Claims<br>Assistance<br>Requested | Date Final<br>Demand<br>Letter Sent | Address<br>Known? | Date of<br>Skip<br>Tracing<br>Activity | Illegible<br>Records? | Missing<br>Records? | Improperly<br>Serviced? |
| 1 |                  |                   |                               |                                 |                  |                     |                        |   |                                     |                   |  |                       |                     |                         |
| 2 | 777-77-7777      | Green, Marcia     | SF                            | 1                               | No               | 04/08/2013          | 05/07/2013             | No  | 11/07/2013                          | Yes               | N/A                                    | No                    | No                  | Yes                     |
| 3 | 777-77-7777      | Green, Marcia     | SU                            | 2                               | No               | 04/08/2013          | 05/07/2013             | No  | 11/07/2013                          | Yes               | N/A                                    | No                    | No                  | Yes                     |
| 4 | 888-88-8888      | Kent, Dale        | SF                            | 2                               | No               | 12/08/2013          | 01/06/2014             | 05/16/2014                                    | No                                  | Yes               | N/A                                    | No                    | No                  | Yes                     |

Date 11/02/2015

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 the Department. 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 the Department 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 the Department**

*The Department 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*

*If sending by courier:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
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?***

The Department will review only the information submitted with the loan servicing appeal and will not review information submitted after the deadline. The Department will send the school and each involved data manager written notification of the Department's decision. The Department's decision is final and no further administrative review is provided.

If the Department determines, using the standard of review described in 34 CFR 668.189(f) or 34 CFR 668.209(f), that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, the Department 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, the Department 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, the Department 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 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, 2015

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

OPEID 098998

Subject: Cohort FY 2013 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 2013 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,  
Operations Performance Division

*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 the Department. 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, 2015

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

OPE ID 098998

Subject: Cohort FY 2013 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 2013 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,  
Operations Performance Division

*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, 2015

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

OPE ID 098998

Subject: Cohort FY 2013 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 2013 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,  
Operations Performance Division

*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 the Department. 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 the Department)



November 2, 2015

U.S. Department of Education  
Operations Performance Division  
ATTN: Loan Servicing Appeal  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2013 Loan Servicing Appeal

To Whom It May Concern:

Coralville College, OPE ID 098998, is submitting an appeal of its cohort FY 2013 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 the Department. 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
  - ◆ Spreadsheet
- OR
- ◆ Spreadsheet
  - ◆ Loan Servicing Records
  - ◆ Letter

#### Follow-up

- ◆ Send copy of response to the Department
- ◆ Send monthly status report to the Department

## **Loan Servicing Appeal Checklists (continued)**

### **School to the Department**

#### **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 the Department**

- ◆ 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 loss of eligibility (or potential placement on provisional certification if based on two successive three-year rates of 30.0% or more ), 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.

Regulatory citations:  
34 CFR 668.194  
34 CFR 668.213

| Economically Disadvantaged Appeal Timeframe |   |  |
|---|---|--|
| Draft Cycle                                 | Not applicable  |  |
| Official Cycle                              | School receives notice of loss of eligibility or notice of a second consecutive three-year cohort default rate subjecting school to potential placement on provisional certification as part of the official cohort default rate notification package | September                              |
|   | School sends the written assertion by its management to U. S. Department of Education (the Department)  | Within 30 days of timeframe begin date |

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

|  |  |  |
|--|--|--|
|  | School sends completed Economically Disadvantaged Appeal to the Department | Within 60 days of timeframe begin date |
|--|--|--|

***What benefit will a school gain from submitting an economically disadvantaged appeal?***

If an economically disadvantaged appeal is successful, the school is exempt from loss of eligibility or, if the rate is the second successive three-year rate at or above 30.0 percent, placement on provisional certification 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 2008            | 10/01/2007                    | 04/02/2006 -- 10/01/2006                  | 04/01/2007 – 09/30/2007                 |
| FY 2009            | 10/01/2008                    | 04/02/2007 – 10/01/2007                   | 04/01/2008 – 09/30/2008                 |
| FY 2010            | 10/01/2009                    | 04/02/2008 – 10/01/2008                   | 04/01/2009 – 09/30/2009                 |
| FY 2011            | 10/01/2010                    | 04/02/2009 – 10/01/2009                   | 04/01/2010 – 09/30/2010                 |
| FY 2012            | 10/01/2011                    | 04/02/2010 – 10/01/2010                   | 04/01/2011 – 09/30/2011                 |
| FY 2013            | 10/01/2012                    | 04/02/2011 -- 10/01/2011                  | 04/01/2012 – 09/30/2012                 |
| FY 2014            | 10/01/2013                    | 04/02/2012 -- 10/01/2012                  | 04/01/2013 – 09/30/2013                 |

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   |
|-----------------------|--------------|--|
| 04/02/2010-04/01/2011 | Acceptable   | Starts within acceptable range; ends 12 months later within acceptable range |
| 04/02/2010-04/02/2011 | Unacceptable | Starts within acceptable range; ends more than 12 months later               |
| 04/01/2010-03/31/2011 | 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, the Department 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 must have been enrolled at least halftime and enrolled at least one day during

Contact the Department at 1-202-377-4259 if you need guidance on choosing an acceptable 12-month period.

any part of the selected 12-month period. The school then determines the number of these students who are considered low-income students.

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>

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 half-time in an eligible program during any part of the selected 12-month period (the denominator). The result is the low-income rate.

Low-income students enrolled at least ½-time in an eligible program during any part of the selected 12-month period

÷

Total students enrolled at least ½-time in an eligible program during any part of the selected 12-month period

=

Low-Income Rate

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.

For the appeal to be successful, the low-income rate must be 2/3 or greater.

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:

$$\begin{array}{ccc} \begin{array}{c} \mathbf{140} \\ \text{Low-Income} \\ \text{Students} \end{array} & \div & \begin{array}{c} \mathbf{200} \\ \text{Students} \\ \text{enrolled at} \\ \text{least halftime} \end{array} & = & \begin{array}{c} \mathbf{70.0\%} \\ \text{Low-income} \\ \text{Rate} \end{array} \end{array}$$

### ***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 regular 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 regular students" (the denominator), the school then determines the numerator, which is the number of these "former regular 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 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 regular students" (the denominator). The result is the placement rate.

For the appeal to be successful, the placement rate must be 44.0% or greater.

$$\text{Placed Students} \div \text{Total Number of Former Regular Students} = \text{Placement Rate}$$

For example, a school had a total of 50 "former regular 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:

$$\begin{array}{c} 25 \\ \text{Placed} \\ \text{Students} \end{array} \div \begin{array}{c} 50 \\ \text{Former Regular} \\ \text{Students} \end{array} = \begin{array}{c} 50.0\% \\ \text{Placement Rate} \end{array}$$

## ***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 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 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:

$$\begin{array}{c} 39 \\ \text{Completed} \\ \text{Students} \end{array} \div \begin{array}{c} 50 \\ \text{Regular} \\ \text{Students} \end{array} = \begin{array}{c} 78.0\% \\ \text{Completion Rate} \end{array}$$

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?***

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?***

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 the Department. Within 60 calendar days of the school's timeframe begin date, the school must submit an independent auditor's opinion to the Department.

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  
 Cohort FY: 2013  
 From: Graphic Tech  
 Code: 099999  
 To: Operations Performance Division  
 Code: N/A

12-Month Period: 06/15/2011 – 06/14/2012  
 Award years: 2010-2011, 2011-2012  
 Calendar Years: 2011, 2012  
 Low -Income Students: 140  
 Total Students: 200  
 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 | 08/25/2011 - 12/30/2011    | Yes                        | 0 / 2011-2012      | N/A                                |
| 222-22-2222   | Bennett, Derek  | 08/24/2010 - 06/15/2012    | No                         | N/A                | N/A                                |
| 333-33-3333   | Brewbaker, Mark | 08/25/2011 - 05/16/2012    | Yes                        | N/A                | \$4,300 / 1 / 2010                 |

Date 10/22/2015

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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: 2013  
 From: Coralville College  
 Code: 098998  
 To: Default Prevention and Management  
 Code: N/A

12-Month Period: 06/30/2011 - 06/29/2012  
 Placed Students: 25  
 Total Students: 50  
 Placement Rate: 50%

|   | A             | B                | C                                   | D                          | E                 | F                      | G                          | H  | I             | J                                   |
|---|---------------|------------------|-------------------------------------|----------------------------|-------------------|------------------------|----------------------------|--|---------------|-------------------------------------|
|   | 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 |
| 1 | 111-11-1111   | Mann, Marcia     | 05/17/2012                          | 08/26/2011 to 05/17/2012   | Yes               | 05/17/2012             | N/A                        | N/A  | N/A           | N/A                                 |
| 2 | 222-22-2222   | Vincent, Richard | 05/17/2012                          | 08/26/2011 to 05/16/2012   | Yes               | N/A                    | N/A                        | N/A  | N/A           | 06/01/2012                          |
| 3 | 333-33-3333   | Smith, Abigail   | 12/15/2011                          | 01/28/2008 to 05/15/2013   | Yes               | N/A                    | N/A                        | N/A  | 4.0           | N/A                                 |
| 4 | 444-44-4444   | Wilson, Hannah   | 05/17/2012                          | 08/26/2011 to 05/17/2012   | Yes               | N/A                    | Marine Biology             | 08/14/2008 Orlando State University, 121 Water Street, Orlando, Florida Master's of Marine Biology | N/A           | N/A                                 |
| 5 | 555-55-5555   | Michaels, Lilly  | 05/17/2012                          | 08/26/2002 to 12/30/2002   | No                | N/A                    | N/A                        | N/A  | N/A           | N/A                                 |
| 6 |               |                  |                                     |                            |                   |                        |                            |  |               |                                     |

Date 10/30/2015

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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: 2013  
 From: Graphic Tech  
 Code: 099999  
 To: Default Prevention and Management  
 Code: N/A

12-Month Period: 06/15/2011 – 06/14/2012  
 Placed Students: 25  
 Total Students: 50  
 Placement Rate: 50%

|   | A             | B              | C                                   | D                          | E                          | F              | G                          | H                         | I   |
|---|---------------|----------------|-------------------------------------|----------------------------|----------------------------|----------------|----------------------------|---------------------------|---|
|   | 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               |
| 1 | 111-11-1111   | Smith, Gene    | 12/30/2011                          | 08/25/2011 to 12/30/2011   | Graphic Design             | Yes            | 04/03/2012 to Present      | Web Designer              | TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131 |
| 2 | 222-22-2222   | Davis, Mark    | 06/15/2011                          | 08/24/2010 to 06/15/2011   | Graphic Design             | Yes            | 05/31/2001 to Present      | Web Designer              | TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131 |
| 3 | 333-33-3333   | Baker, Tim     | 12/30/2011                          | 08/25/2011 to 05/16/2012   | Graphic Design             | No             | N/A                        | N/A                       | N/A   |
| 4 |               |                |                                     |                            |                            |                |                            |                           |   |

Date 10/22/2015

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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 the Department. The management written assertion must include 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 the Department**

*The Department 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  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
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 or 34 CFR 668.213 (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 the Department 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 the Department 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, the Department 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 the Department—

- ◆ 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?***

The Department will review, using the standard of review described in 34 CFR 668.189(f) or 34 CFR 668.208(f), only the information submitted with the economically disadvantaged appeal and will not review information submitted

AICPA standards may be ordered by calling 1-888-777-7077 or visiting the AICPA website: <http://www.aicpa.org>

after the 60-calendar-day deadline. The Department will send the school written notification of the Department's decision. The Department's decision is final and no further administrative review is provided.

If the school was notified that it was subject to loss of eligibility (or potential placement on provisional certification based on two successive three-year rates at 30.0 percent or higher) and the economically disadvantaged appeal is successful, the Department will withdraw the notice of loss of eligibility or potential placement on provisional certification). If the school was notified that it was subject to loss of eligibility or potential placement on provisional certification and the economically disadvantaged appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, the Department will notify the school of the effective date of the sanction or placement on provisional certification.

A school that submits an adjustment and/or an appeal but fails to avoid loss of eligibility 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 the Department for review and consideration. The Department 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 the Department.

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 the Department. The data manager should also indicate that the request must be sent to the Department within the appropriate timeframe. The data manager should then notify the Department that the data manager has contacted the school.

## Sample Economically Disadvantaged Appeal Letter #1 (School to the Department)



October 22, 2015

U.S. Department of Education  
Operations Performance Division  
ATTN: Economically Disadvantaged Appeal  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2013 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a cohort FY 2013 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, 2011 and ending on June 14, 2012. 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 the Department, 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)



October 22, 2015

ATTN: Mr. Anthony Falduto  
Alliance Auditing  
5222 Antwerp Lane  
Aicpa, WI 97697-6976

OPE ID 099999

Subject: Cohort FY 2013 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 or 34 CFR 668.213 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, 2015. 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 or 34 CFR 668.213. 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, 2015

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

OPE ID 099999

Subject: FY Cohort 2013 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 or 34 CFR 668.213 of Title 34 of the Code of Federal Regulations (34 CFR 668.194 or 34 CFR 668.213). 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 or 34 CFR 668.213, 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, 2011 and ending on June 14, 2012, 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  
Operations Performance Division

*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 the Department—cover letter submitting  
auditor’s written opinion)**



November 30, 2015

U.S. Department of Education

OPE ID 099999

Operations Performance Division  
Union Center Plaza 084F  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

Subject: Cohort FY 20013 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a cohort FY 2013 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 the Department. 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 the Department & Independent Auditor

### Determine

- ◆ Is the school subject to sanction, or potential provisional certification based on a second successive three year cohort default rate above 30 %?
- ◆ 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 the Department

- ◆ 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 the Department (after receiving auditor's response)

### Submit to the Department

- ◆ Copy of Independent Auditor's Response
- ◆ Letter (see sample letter #4)

## ***What is a participation rate index appeal?***

A participation rate index appeal alleges that a school should not be subject to loss of loan eligibility (or potential placement on provisional certification based on three-year cohort default rates) because the school has a participation rate index that meets one of the following thresholds:

### Two-year CDR calculation

- Subject to sanction based on three consecutive cohort default rates of 25.0 percent or greater—participation rate index of 0.0375 or less
- Subject to sanction based on most recent cohort default rate over 40.0 percent or greater—participation rate index of 0.06015 or less

### Three-year CDR calculation

- Subject to sanction based on three consecutive cohort default rates of 30.0 percent or greater—participation rate index of 0.0625 or less
- Subject to sanction based on most recent cohort default rate over 40.0 percent or greater—participation rate index of 0.06015 or less
- Subject to potential provisional certification based on two out of three most recent cohort default rates of 30.0 percent or greater—participation rate index of 0.0625 or less

| <b>Participation Rate Appeal Timeframe</b> |   |   |
|--|---|---|
| Draft Cycle                                | Not applicable  |   |
| Official Cycle                             | School receives notice of loss of eligibility (or of a second three-year cohort default rate that, in combination with an earlier three-year rate, potentially subjects the school to provisional certification) as part of the official cohort default rate notification package | <i>September</i>                              |
|  | School sends completed Participation Rate Index Appeal to the U.S. Department of Education (the Department)   | <i>Within 30 days of timeframe begin date</i> |

**Regulatory citations:**  
34 CFR 668.195  
34 CFR 668.214

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

## ***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 rate upon which a loss of eligibility (or, after 2013, potential provisional

certification resulting from three-year rates) is based. For example, take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

If a school is subject to loss of eligibility due to three consecutive years of an official cohort default rate that is 25.0 percent or greater for the two-year calculation, or 30.0 percent or greater for the three-year calculation, the school can submit a participation rate index appeal based on the official 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 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. If the school is subject to potential provisional certification due to two out of three of its most recent three-year official cohort default rates being 30.0 percent or greater, the school can submit a participation rate index appeal based on the official cohort default rate for This Year if it is greater than 30.0 percent, the official cohort default rate for Last Year if it is greater than 30.0 percent, and/or the official cohort default rate for Two Years Ago if it is greater than 30.0 percent (see following chart).

### Years Used for Participation Rate Index Appeals

| Nature of Sanction   | This Year   | Last Year   | Two Years Ago   |
|--|---|---|---|
| Three consecutive years of cohort default rates that are 25.0 percent or greater for the two-year calculation, or 30.0 percent or greater for the three-year calculation | Yes – Official Cohort Default Rate (a timely PRI Challenge can be taken from the 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 – Official Cohort Default Rate (a timely PRI Challenge can be taken from the Draft Rate)  | NO  | NO  |
| Potential provisional certification due to two of last three years of three-year cohort default rates greater than 30.0 percent.   | Yes – Official Three-Year Cohort Default Rate if greater than 30.0 percent (a timely PRI Challenge can be taken from the Draft Three-Year Rate) | Yes – Official Three-Year Cohort Default Rate if greater than 30.0 percent (a timely PRI Challenge can be taken from the Draft Three-Year Rate) | Yes – Official Three-Year Cohort Default Rate if greater than 30.0 percent (a timely PRI Challenge can be taken from the Draft Three-Year Rate) |

***Which schools are eligible to submit a participation rate index appeal?***

Only a school that is subject to loss of eligibility (or, after September, 2014, potential provisional certification based on three-year rates) because of its official cohort default rates may submit a participation rate index appeal.

***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. Additionally, a school subject to potential provisional certification based on three-year rates will not be provisionally certified based solely on its cohort default rates. The school will not be subject to a subsequent loss of eligibility based on that official cohort default rate, or provisional certification based on that official three-year cohort default rate, due to the successful participation rate index appeal.

***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. Because a school can submit a participation rate index appeal for any cohort default rate upon which a loss of eligibility or potential provisional certification is based, 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**

| <b>Cohort Fiscal Year</b> | <b>Cohort FY Start Date</b> | <b>Acceptable 12-Month Period Begins Between</b> | <b>Acceptable 12-Month Period Ends Between</b> |
|---------------------------|-----------------------------|--|--|
| 2008                      | 10/01/2007                  | 04/02/2006-10/01/2006                            | 04/01/2007-09/30/2007                          |
| 2009                      | 10/01/2008                  | 04/02/2007-10/01/2007                            | 04/01/2008-09/30/2008                          |
| 2010                      | 10/01/2009                  | 04/02/2008-10/01/2008                            | 04/01/2009-09/30/2009                          |
| 2011                      | 10/01/2010                  | 04/02/2009-10/01/2009                            | 04/01/2010-09/30/2010                          |
| 2012                      | 10/01/2011                  | 04/02/2010-10/01/2010                            | 04/01/2011-09/30/2011                          |
| 2013                      | 10/01/2012                  | 04/02/2011-10/01/2011                            | 04/01/2012-09/30/2012                          |
| 2014                      | 10/01/2013                  | 04/02/2012-10/01/2012                            | 04/01/2013-09/30/2013                          |
| 2015                      | 10/01/2014                  | 04/02/2013-10/01/2013                            | 04/01/2014-09/30/2014                          |

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 2010

| 12-Month Period       | Status       | Reason  |
|-----------------------|--------------|---|
| 04/02/2008-04/01/2009 | Acceptable   | Starts within acceptable range; 12 months later within acceptable range |
| 04/02/2008-04/02/2009 | Unacceptable | Starts within acceptable range; more than 12 months later               |
| 04/01/2008-03/31/2009 | 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, the Department 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 the Department 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 regular 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.

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



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:

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

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 loss of eligibility or potential placement on provisional certification, the school's participation rate index must meet the relevant threshold as indicated on page 4.8-1.

For example, School A's official two-year cohort default rate for the current cohort fiscal year is 25.0 percent. School A's two most recent official two-year cohort default rates were 26.0 percent and 28.0 percent. As a result, School A is subject to loss of eligibility because it has three consecutive years of official two-year 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 challenge would be unsuccessful.

As another example, School B's official two-year cohort default rate is 50.0 percent. School B's two most recent two-year official cohort default rates were 20.0 percent and 31.0 percent. As a result, School B is subject to sanction because it has 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 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 is successful. However, had School B's two most recent two-year official cohort default rates been 25.0 percent and 31.0 percent, School B would also be subject to sanction because it will have had three consecutive official two-year 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 the Department for review and consideration. The Department 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 appeal to the wrong entity or address, the participation rate index appeal might not be reviewed and the school could miss the deadline for submitting the participation rate index appeal to the Department.

If a data manager receives a participation rate index appeal from a school, it should immediately contact the school to inform it that the participation rate index appeal must be sent to the Department. The data manager should also indicate that the participation rate index appeal must be sent to the Department within the initial 30-calendar-day timeframe. The data manager should then notify the Department that the data manager has contacted the school.

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

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 the Department. However, to avoid sanctions, the school's letter to the Department 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. To avoid loss of eligibility, or potential placement on provisional certification based on three-year rates, the school's participation rate index must meet the relevant threshold as indicated on page 4.8-1.

**Sample Participation Rate Index Appeal Spreadsheet**

|            |                                 |                         |                        |
|------------|---------------------------------|-------------------------|------------------------|
| Type:      | Participation Rate Index Appeal | Cohort Default Rate:    | 50.0%                  |
| Cohort FY: | 20010                           | 12-Month Period:        | 9/01/2008 – 08/31/2009 |
| 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        | 08/15/2008 - 05/25/2009    | FFEL               | 08/15/2008 - 05/26/2009 |
| 3 | 222-22-2222   | Adams, John        | 05/15/2008 - 05/26/2009    | DL                 | 08/15/2008 - 12/30/2009 |
| 4 | 333-333-3333  | Washington, Martha | 08/15/2008- 12/30/2008     | No                 | N/A                     |

Date 02/14/2012

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>

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 the Department. However, the school still needs to submit separate documentation for each participation rate index appeal.

***How does a school submit a participation rate index appeal?***

Timing is critical when submitting a participation rate index appeal. A school must send its participation rate index appeal to the Department within 30 calendar days of the timeframe begin date. If a school does not meet the 30-calendar-day timeframe for submitting a participation rate index appeal, the participation rate index appeal will not be reviewed.

**How a school submits a Participation Rate Index appeal to the Department**

*The Department recommends that a school send all participation rate index appeal 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 appeal as well as all electronic and hardcopy documentation submitted as a part of the participation rate index appeal process.*

*If sending by courier:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
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?***

The Department will review, using the standard of review described in 34 CFR 668.189(f) or 668.208(f), only the information submitted with the participation rate index appeal and will not review information submitted after the 30 calendar-day deadline. The Department will send the school written notification of the Department’s decision. The Department’s decision is final and no further administrative review is provided.

The Department will withdraw the notice of loss of eligibility for a school that submits a successful participation rate index appeal. Additionally, a school subject to potential provisional certification as a result of three-year cohort default rates will not be provisionally certified based solely on its cohort

default rates. The school will not be subject to a subsequent loss of eligibility or provisional certification based on that official cohort default rate due to the successful participation rate index appeal. However, if the school's participation rate index appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, the Department 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 Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were 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 originate loans during the adjustment and appeal process.

## Sample Participation Rate Index Appeal Letter



# Graphic Tech

2341 Toulouse Street  
Cape Canaveral, FL 32931-2341

February 14, 2011

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPEID 099999

Subject: Cohort FY 2009 Participation Rate Index Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a participation rate index appeal based on our FY 2009 official 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, 2007 and ended on August 31, 2008. 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 appeal, the relevant cohort default rate on which the appeal 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 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 Checklist**

### **School to the Department**

#### **Determine**

- Is the school subject to sanction?
- What is the school's participation rate index?

#### **Submit to the Department**

- Spreadsheet
- Letter

### ***What is an average rates appeal?***

A school facing loss of eligibility based on three consecutive official cohort default rates that equal or exceed the relevant threshold as described in Chapter 2.4 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 the relevant threshold if they had been calculated using only the non-average data for that cohort fiscal year alone. (Refer to Chapter 2.1 for an explanation of the average and non-average cohort default rate calculations.)

In addition, a school facing loss of eligibility 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.

| <b>Average Rates Appeal Timeframe</b> |  |   |
|---------------------------------------|--|---|
| 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 the U.S. Department of Education (the Department)               | <i>Within 30 days of timeframe begin date</i> |

**Regulatory citations:**  
 34 CFR 668.196  
 34 CFR 668.215

### ***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 equal or exceed the relevant threshold as described in Chapter 2.4?***

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

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

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 meets or exceeds the relevant threshold. (For purposes of this example the school is subject to sanction based on the two-year calculation.)

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 the relevant threshold 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 ( $6 \div 26 = .230$ ).

Because the two cohort fiscal years with average cohort default rates would have been less than the relevant threshold (for purposes of this example, 25.0%) 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.

See Chapter 2.1, "How the Rates are Calculated", for more information on average rates.

***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 previously, 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?***

The Department 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. The Department will notify the school if it is not subject to sanction at the same time the Department 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, the Department 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 the Department?***

If a school disagrees with the initial determination by the Department, the school may submit an average rates appeal to the Department. For a school attempting to avoid a sanction based on three consecutive years of a cohort default rate that equals or exceeds the relevant threshold as described in

Chapter 2.4, 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 the relevant threshold 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.

### **How a school submits an Average Rates Appeal**

*The Department 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 sending by courier:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
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 the Department

### Determine

- ◆ Is the school subject to loss of eligibility and, if so, what type?
- ◆ If the school is subject to loss of eligibility because of three consecutive cohort default rates that equal or exceed the relevant threshold as described in Chapter 2.4, were two of those cohort default rates calculated as average rates?
- ◆ If so, would those cohort default rates be less than the relevant threshold if they were calculated using only that year's cohort default rate data alone?
- ◆ If the school is subject to loss of eligibility 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 the Department

- ◆ 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.

| <b>Thirty-or-Fewer Borrowers Appeal<br/>Timeframe</b> |  |   |
|---|--|---|
| 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 the U.S. Department of Education (the Department) | <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?***

The Department 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. The Department will notify the school that it is not subject to sanction at the same time the Department 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, the Department 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**



**Regulatory citations:**  
34 CFR 668.197  
34 CFR 682.216

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

## ***What if a school disagrees with the initial determination by the Department?***

If a school disagrees with the initial determination by the Department, the school may submit a thirty-or-fewer borrowers appeal to the Department. 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**

*The Department 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.*

*If sending by courier:*

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 114B4  
830 1<sup>st</sup> Street, NE  
Washington, DC 20002

*If sending by U.S. Postal Service:*

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Washington, DC 20202-5353

*Do not send materials to any other address at the Department.*

## **Thirty-or-Fewer Borrowers Appeal Checklist**

### ***School to the Department***

#### **Determine**

- ◆ Is the school subject to loss of eligibility?
- ◆ 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 the Department**

- ◆ Supporting Documentation
- ◆ Certification

**Actual data:**

All eligible borrowers in the cohort at a given school as defined by its 6-digit OPE ID; excludes the effects of mergers, average-rate determinations, challenges, and appeals. In contrast, official rates—those that can result in sanctions and the calculation of which is outlined in the regulations—utilizes data that include the effects of mergers, average-rate determinations, challenges, and appeals.

**Adjustment:**

An administrative 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 rate purposes, a school statement about the accuracy of specific loan information data on the loan record detail report.

**Appeal:**

An administrative 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 borrower's appeal. Moreover, after release of official cohort default rates, in specified circumstances, a school can bring an uncorrected data adjustment or a new data adjustment, in addition to or in lieu of an 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.

**Average Rates Appeal:**

As described in Sections 668.196 and 668.215 of Title 34 of the Code of Federal Regulations (34 CFR 668.196 and 668.215). A school facing sanction based on three consecutive official cohort default rates that meet or exceed the relevant threshold (25.0 percent for the 2-year calculation, and 30.0 percent for the 3-year calculation) 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 the relevant threshold if they had been calculated as non-average rates. 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.

**Common Acronyms & Abbreviations:**

**CFR** – Code of Federal Regulations

**Department** – the U.S. Department of Education

**EFC** – Expected Family Contribution

**FFEL** – a loan made under the Federal Family Education Loan Program

**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

***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 administrative 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. Except for FFELs purchased by the Department, this date is used to determine if the FFEL 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 Rate Calculation:***

As described in 34 CFR 668.183 and 34 CFR 668.202. The percentage of a school's borrowers who enter repayment on certain FFELs and/or Direct Loans, and who default (or meet the other specified condition) within prescribed cohort default period(s).

***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). and 668.213(d). The percentage of regular students enrolled at a school that completed their programs during a specified 12-month period. 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 Federal Loan Servicer, a guaranty agency, or in some instances, the Department. The entity

responsible for maintaining and managing the data used in calculating cohort default rates.

**Data Manager Code:**

A code number used to identify the data manager for a loan. Another name for the Guarantor/Service 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 that has not been purchased by the Department 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, or a FFEL that has been purchased by the Department, 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).

**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:**

For CDR purposes, the Denominator of the CDR calculation is the number of borrowers who entered repayment in the cohort fiscal year.

**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 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.

***eCDR Appeals***

The electronic cohort default rate appeals system, used to electronically process certain CDR challenges/adjustments/appeals.

***Economically Disadvantaged Appeal:***

As described in 34 CFR 668.194 and 668.213. 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 (available only to non-degree-granting schools) and an economically disadvantaged appeal based on low income rate and completion rate (available only to degree-granting schools).

***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 and 668.211. An administrative 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, corporate structure, OPEID, 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 by educational institutions and others 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 Loan Servicer:***

*TIVAS\_\_ACS: Great Lakes Education Loan Services; Nelnet; Sallie Mae Corporation; AES/PHEAA?? Cryptic. Spell out acronyms.*

***Federal Stafford Loans:***

Term used to refer to subsidized Federal Stafford Loans and unsubsidized Federal Stafford Loans made under the FFEL Program.

***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 FFEL loans 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:***

A 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) and 668.212(b). If the holder of a loan fails to perform certain activities when servicing the loan, the loan is considered improperly serviced for cohort default rate purposes. 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) and 668.204(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.

***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 and 668.212. An administrative 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.

***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 Federal Loan Servicer.

***Low Income Rate:***

As described in 34 CFR 668.194(b) and 668.213(c). The percentage of students with low incomes enrolled at a school during a specified 12 month period. 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 the Department as part of the school's economically disadvantaged appeal. An independent auditor must review the management's written assertion.

***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. To be included in a new data adjustment or erroneous data appeal, "new data" must be incorrect new data.

***New Data Adjustment:***

As described in 34 CFR 668.191 and 668.210. A new data adjustment is an administrative action in which a school challenges the accuracy of new data included in the school's official cohort default rate that was not reflected in the draft cohort default rate. If the school is subject to loss of eligibility or provisional certification as a result of the official cohort default rate, the school should bring an erroneous data appeal instead.

***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:***

For cohort default rate purposes, the numerator of the cohort default rate calculation is the number of borrowers included in the denominator who defaulted or met the other specified condition within the cohort period.

***Operations Performance Division:***

The office within FSA 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.

***Other Specified Condition:***

In addition to those borrowers who default, borrowers who meet a certain condition are also considered to be in default for cohort default rate purposes. This condition occurs when a school owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment before the end of the cohort default period to prevent a borrower's default on a loan that entered repayment during 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) and 668.214(b). The percentage of a school's students who participated in (borrowed under) the FFEL and/or Direct Loan programs during a specified 12 month period multiplied by the school's cohort default rate.

***Participation Rate Index Appeal:***

As described in 34 CFR 668.195 and 668.214. A type of appeal that contends a school should not be subject to loss of eligibility (or provisional certification based three-year official cohort default rates) 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) and 668.204(c). A type of challenge that contends a school should not be subject to loss of eligibility (or provisional certification based on three-year rates) 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) and 668.213(e). The percentage of regular students enrolled at a school who 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 maintained by the government. 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. 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 for the two- year calculation or 30.0 percent or greater for the three-year calculation, 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. Another sanction is placement on provisional certification, which may occur when one of a school's three most recent official cohort default rates is a two-year official cohort default rate of 25.0 percent or greater or when two of a school's three most recent official three-year cohort default rates are official cohort default rates of 30.0 percent or greater.

### ***Thirty-or-Fewer Borrowers Appeal:***

As described in 34 CFR 668.197 and 668.216. 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.

### **Three-Year-Rates or Three-Year Cohort Default Rates or Three-Year Official Cohort Default Rates:**

Official cohort default rates that track defaults for the cohort fiscal year and the two succeeding fiscal years. They are governed by 34 CFR Part 668, Subpart N and, following publication in September, 2014 of the three year

official cohort default rate for fiscal year 2011 become the basis for any subsequent loss of eligibility or placement on provisional certification based on cohort default rates.

***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.

**Two-Year Rates or Two-Year Cohort Default Rates or Two Year Official Cohort Default Rates:**

Cohort default rates that track defaults for the cohort fiscal year and one succeeding fiscal year. They are governed by 34 CFR Part 668, Subpart M and will not be calculated for cohort fiscal years after FY 2011.

***Two-Year 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.

***Three-Year Cohort Default Period:***

The three-year period that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the second following fiscal year.

***Uncorrected Data Adjustment:***

As described in 34 CFR 668.190 and 668.209. A request submitted to the Department 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 apply 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.