Calculating Cohort Default Rates

Chapter

2.1

Calculating Cohort Default Rates

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What is a cohort default rate?

For schools having thirty-or-more borrowers entering repayment in a fiscal year, the school's cohort default rate is the percentage of a school's student 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 other specified conditions) within the 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. For schools with 29 or fewer borrowers entering repayment during a fiscal year, the cohort default rate data includes borrowers entering repayment over a three year period.

The phrase "other specified conditions" refers to two different situations. The first is related to borrowers who obtain Direct Loans to attend non-degree-granting proprietary schools. In addition to the other criteria for default, a borrower who received a Direct Loan to attend a non-degree granting proprietary school is considered in default for the purposes of calculating a cohort default rate if, during the cohort period in question, the borrower is in repayment for 360 days under the income contingent repayment (ICR) plan with scheduled payments that are

- less than 15 dollars per month and
- less than the interest accruing on the loan.

The second situation occurs when, before the end of the following fiscal year, a school owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment to prevent a borrower's default on a loan that entered repayment during the cohort fiscal year. 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 conditions" will always refer to these situations.

Cohort Default Rates

Cohort default rates help save taxpayers money

Why are cohort default rates important?

Defaulted federal student loans cost taxpayers money. By tracking cohort default rates, sanctioning schools with higher rates, and providing benefits to schools with lower rates, the Department creates an incentive for schools to work with borrowers to reduce defaults. As a result, cohort default rates help save taxpayers money.

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

The FFELs included in the cohort default rate calculation are

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

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

The Direct Loans included in the cohort default rate calculation are

- Federal Direct Subsidized Stafford/Ford Loans and Federal Direct Unsubsidized Stafford/Ford 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 Direct 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 counted 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.

When are cohort default rates released?

The U.S. Department of Education (the Department) releases cohort default rates twice each year. Generally, the Department releases draft cohort default rates in January or February. After schools receive their draft cohort default rate data, schools are provided an opportunity to identify and correct any inaccuracies by submitting an incorrect data challenge. The Department then 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 rate 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 1999 on October 2, 2001, then a loss of eligibility that is based on the FY 1999 cohort default rate would continue only for the remainder of FY 2002 (the fiscal year in which the cohort default rates were issued) and to the end of FY 2003.

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 data even if the school does not challenge the draft cohort default rate data.

Who receives cohort default rates?

The Department provides draft cohort default rates only to schools and does not release them to the public. The Department releases draft cohort default rates to all schools that the Department's records indicate

- ❖ are certified to participate in any of the Title IV Student Financial Assistance Programs and
- ❖ have any borrowers going into repayment on FFEL or Direct Loans during the current or prior two cohort fiscal years.

For the purposes of this guide, the phrase "cohort fiscal year" refers to the fiscal year for which the cohort default rate is calculated. For example, when calculating the 1999 cohort default rate, the cohort fiscal year is FY 1999 (October 1, 1998 to September 30, 1999). This is also the fiscal year in which all borrowers in the cohort entered repayment.

When the Department provides a school with a draft cohort default rate, the school may also receive any new supplements to this guide, as well as a current year loan record detail report listing all of the student borrowers contained in the school's draft calculation.

The Department provides official cohort default rates to schools and to the public. The Department releases official cohort default rates to all schools that the Department's records indicate

- are certified to participate in any of the Title IV Student Financial Assistance Programs and
- have any borrowers going into repayment on FFEL or Direct Loans during the current or prior two cohort fiscal years.

When the Department provides a school with an official cohort default rate, the school will also receive any new supplements to this guide. If the school's official cohort default rate is ten percent or greater, the Department will provide the school with a loan record detail report listing all the borrowers contained in the official calculation. If a school is subject to sanction, the school will receive loan record detail reports 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 loan record detail reports for the current and prior two cohort fiscal years.

A school may also request an electronic copy of the official loan record detail report for the draft or official periods. See Chapter 2-3, "Loan Record Detail Report," for information on requesting an electronic copy.

The public can request a listing of all of the official cohort default rates in the form of a press package. The press package also contains a listing of those schools that are subject to sanctions as a result of official cohort default rates. For a copy of the most recent press package call 1-202-708-9396 or visit the Department's Web site at

http://sfa4schools.sfa.ed.gov/

or

http://www.ifap.ed.gov

What are the consequences of cohort default rates?

Official cohort default rates are important because they may affect a school's eligibility to participate in the Title IV Student Financial Assistance Programs administered by the Department.

In addition, a school with lower cohort default rates may be eligible for certain benefits. Some schools with lower official cohort default rates may be exempt from certain loan disbursement requirements. It is important to note that some of these benefits are scheduled to expire on September 30, 2002. For more information on the benefits associated with lower cohort default rates, see Chapter 2.2, "Cohort Default Rate Effects."

Draft cohort default rates are important because the data used to calculate the draft cohort default rate forms the basis of a school's official cohort default rate. Although there are no sanctions or benefits associated with a school's draft cohort default rate, it is important for schools to review the data used to calculate the draft cohort default rate. A school that fails to challenge the accuracy of the data used to calculate its draft cohort default rate may not challenge the accuracy of that data when it receives its official cohort default rate.

In addition, in certain circumstances a school may be able to avoid sanctions associated with its official cohort default rate by submitting a successful participation rate index challenge based on its draft cohort default rate. The school should review its enrollment data in relation to its draft cohort default rate to determine if it is eligible to submit a participation rate index challenge.

For more information on the importance of cohort default rates, see Chapter 2.2, "Cohort Default Rate Effects." For more information on challenges, adjustments, and appeals, see Chapter 3.1, "Cohort Default Rate Strategies," and Part IV "Challenges, Adjustments, and Appeals."

What are the time frames for a cohort default rate?

Cohort default rates are based on federal fiscal years. Federal fiscal years begin on 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.

Official cohort default rates may affect a school's eligibility to participate in the Title IV Student Financial Assistance Programs administered by the Department

Cohort Default Rates

What time frames are covered by this guide?

Figure 2.1.1 outlines the time frames covered by this guide. The first column in the table shows the fiscal year. The second column shows the borrowers included in the calculation for that fiscal year. Borrowers in the numerator are those who entered repayment and who defaulted or met other specified conditions during the time period listed in column three. Borrowers in the denominator are those who entered repayment during the time period in column three. The third column shows the time period used for the numerator and the time period used for the denominator.

Figure 2.1.1

Time Frames Covered by the Guide

Cohort Default Rate Time Frames

Fiscal Year	Borrowers in the Numerator / Borrowers in the Denominator	Time Period (Numerator) / Time Period (Denominator)
FY 1999	Borrowers who entered repayment in FY 1999 and defaulted in FY 1999 or FY 2000 / Borrowers who entered repayment in FY 1999	10/01/98 to 09/30/00 / 10/01/98 to 09/30/99
FY 2000	Borrowers who entered repayment in FY 2000 and defaulted in FY 2000 or FY 2001 / Borrowers who entered repayment in FY 2000	10/01/99 to 09/30/01 / 10/01/99 to 09/30/00
FY 2001	Borrowers who entered repayment in FY 2001 and defaulted in FY 2001 or FY 2002 / Borrowers who entered repayment in FY 2001	10/01/00 to 09/30/02 / 10/01/00 to 09/30/01
FY 2002	Borrowers who entered repayment in FY 2002 and defaulted in FY 2002 or FY 2003 / Borrowers who entered repayment in FY 2002	10/01/01 to 09/30/03 / 10/01/01 to 09/30/02
FY 2003	Borrowers who entered repayment in FY 2003 and defaulted in FY 2003 or FY 2004 / Borrowers who entered repayment in FY 2003	10/01/02 to 09/30/04 / 10/01/02 to 09/30/03
FY 2004	Borrowers who entered repayment in FY 2004 and defaulted in FY 2004 or FY 2005 / Borrowers who entered repayment in FY 2004	10/01/03 to 09/30/05 / 10/01/03 to 09/30/04
FY 2005	Borrowers who entered repayment in FY 2005 and defaulted in FY 2005 or FY 2006 / Borrowers who entered repayment in FY 2005	10/01/04 to 09/30/06 / 10/01/04 to 09/30/05

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 student borrowers from that school entering repayment in a particular fiscal year and the number of cohort default rates previously calculated for the school.

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

The three types of formulas used to calculate a school's cohort default rate are the Non-Average Rate Calculation, the Average Rate Calculation, and the Unofficial Rate Calculation. 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 numerator and the denominator vary, however, depending on the type of formula used.

Non-Average Rate Formula

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

Non-Average Rate Calculation: The denominator for the non-average cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year. The numerator for the non-average cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met other specified conditions in the cohort default period.

Number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met other specified conditions in the cohort default period ÷ Number of borrowers who entered repayment in the cohort fiscal year = Cohort default rate

Non-Average Rate Example: School A, a degree granting school, had 90 borrowers enter repayment in the cohort fiscal year (denominator). Of those, 8 borrowers defaulted in the cohort default period (numerator). School A's cohort default rate is calculated by dividing 8 by 90 (8 / 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 x 100 = 8.8).

8 borrowers defaulted
÷
90 total borrowers
=
8.8 percent cohort default rate

Average Rate Formula

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 that had a cohort default rate calculated for the two previous fiscal years. The draft cohort default rate for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year is based on the current loan data for that cohort fiscal year.

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 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 other specified conditions in the cohort default period and the two preceding cohort default periods.

Number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years and who defaulted or met other specified conditions in the cohort default period and the two preceding cohort default periods ÷ Number of borrowers who entered repayment in the cohort fiscal year and the two preceding fiscal years = Cohort default rate

12 borrowers defaulted

÷

123 total borrowers

=

9.7 percent cohort default rate

Average Rate Example: School B, a degree-granting school, certified loans for the following students: 29 borrowers who entered repayment in the cohort fiscal year (of whom 2 defaulted in that cohort default period), 44 borrowers who entered repayment in the fiscal year immediately preceding the cohort fiscal year (of whom 7 defaulted in that 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 that 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).

Unofficial Rate Formula

Unofficial Rate Formula: The Unofficial Rate formula is used 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. An unofficial cohort default rate does not meet the statutory definition of a cohort default rate. Therefore, it cannot be used to determine sanctions or benefits.

Unofficial Rate Calculation: The calculation for the unofficial cohort default rate is the same as the calculation for the non-average rate. The denominator for the unofficial cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year. The numerator for the unofficial cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met other specified conditions in the cohort default period.

Number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met other specified conditions in the cohort default period ÷ Number of borrowers who entered repayment in the cohort fiscal year = Cohort default rate

Unofficial Rate Example: School C, a degree-granting school that began participating in the FFEL Program at the start of the cohort fiscal year, certified loans for 21 borrowers who entered repayment during that cohort fiscal year. Of those 21, 2 defaulted in the cohort default period. Because School C has 29 or fewer borrowers who entered repayment, a non-average rate cannot be calculated for the school. Further, because the school began participating in the FFEL Program during the cohort fiscal year, School C does not have two previous cohort default rates with which to average its current year cohort default rate data. As a result, an official cohort default rate cannot be calculated for School C. School C's unofficial cohort default rate is calculated with one year of cohort default rate data by dividing 2 by 21 (2 / 21 = 0.095) and expressing the result (0.095) as a percentage to produce an unofficial cohort default rate of 9.5 percent (0.095 x 100 = 9.5).

2 borrowers defaulted
÷
21 total borrowers
=
9.5 percent cohort default rate

How does the Department determine which loans are placed in the denominator of the 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 fiscal year 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 during that cohort fiscal year or the prior two cohort fiscal years.

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

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

Under these guidelines, which the Department implemented beginning with the FY 1993 cohort default rates, a Federal SLS loan that was reported as entering repayment prior to FY 1993 might also meet the criteria to be included in FY 1993 or later. To prevent the possibility of double-counting loans, any Federal SLS loan that was reported in a cohort default rate prior to FY 1993 will not be reported in a later cohort default rate.

How does the Department determine which loans are placed in the numerator of the 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 conditions" 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 on the loan to the lender. 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.

Effective October 7, 1998, the 1998 Amendments to the HEA changed the definition of default on Direct Loans from 180 days of delinquency to 270 days of delinquency. A regulatory change published on November 1, 1999 made the default date on a Direct Loan for cohort default purposes 360 days of delinquency. Regardless of the number of days of delinquency used to determine a borrower's default date, if that default date falls within the cohort default period, the loan 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 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 underlying loan enters repayment and the consolidation loan defaults within the cohort default period.

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 March of the following fiscal year. Even though the underlying Federal Stafford Loan did not default, Elizabeth will be included in the numerator of the cohort fiscal year calculation because a claim was paid on the Federal Consolidation Loan during the cohort default period.

Other consolidation loan issues are addressed in Figure 2.1.2, which lists special circumstances.

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. For a FFEL or Direct Loan to be eligible for rehabilitation, the borrower must make 12 consecutive monthly payments. After the borrower makes 12 consecutive on-time voluntary monthly payments, the loan is rehabilitated and the borrower is no longer considered to be in default for cohort default rate purposes.

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 and is included in the numerator.

Figure 2.1.2 - Special Circumstances Table (part 1 of 4)

Situation	How it affects the denominator	How it affects the numerator
A borrower separates from the school that disbursed the loans but enrolls at a different school before the end of the grace period.	The borrower is included in the denominator in the fiscal year when the borrower entered repayment. The borrower is not included in the denominator until the borrower has received six months of an uninterrupted grace period.	The borrower is included in the numerator if the borrower defaulted or met other specified conditions during the cohort default period.
The borrower enters repayment and subsequently obtains a deferment or forbearance on the borrower's loan account.	The borrower is included in the denominator in the cohort default period when the borrower entered repayment. Deferments or forbearances do not alter the date the borrower entered repayment.	The borrower is included in the numerator if the borrower defaulted or met other specified conditions 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 periods.	The borrower is included in the denominators in the fiscal years when the borrower entered repayment. The same borrower can appear in two different cohort default rate calculation denominators for a school if the borrower has multiple loans and the borrower enters repayment in separate cohort fiscal years.	The borrower is included in the numerators if the borrower defaulted or met other conditions during those cohort default periods. The same borrower can appear in two different cohort default rate calculation numerators for a school if the borrower has multiple loans, enters repayment in separate cohort fiscal years, and defaults or meets other specified conditions during the relevant cohort default period.
A borrower takes out loans at more than one school.	The borrower is included in the denominators in the fiscal years when the borrower entered repayment for each school where the borrower obtained loans.	The borrower is included in the numerators for the schools at which the defaulted loans were received if the borrower defaulted or met other specified conditions during those cohort default periods.

Are there any special circumstances which affect how a loan will be included in the cohort default rate calculation?

There are several special circumstances that will affect how a loan is included in the cohort default rate calculation. Figure 2.1.2 addresses many of these circumstances but is not representative of all of the special circumstances. Figure 2.1.3 shows the effects various Department actions have on the cohort default rate calculation.

Figure 2.1.2 (cont.) - Special Circumstances Table (part 2 of 4)

Situation	How it affects the denominator	How it affects the numerator
A borrower consolidates one or more defaulted loans.	The borrower is included in the denominators in the fiscal years when the underlying loans (the loans that the borrower consolidated) entered repayment. A consolidation loan borrower is included in a cohort based on the date the underlying loan(s) enter repayment, not on the date that the consolidation loan enters repayment.	If the borrower defaulted or met other specified conditions on the underlying loans during the cohort default periods in which the borrower entered repayment on those loans, then the borrower should be included in the numerator.
The borrower's loan was discharged due to death, bankruptcy, or disability before the borrower entered repayment.	The borrower is included in the denominator of the cohort default rate calculation based on the date the loan was discharged provided that the data manager received timely notice of the borrower' s discharge. The date of discharge becomes the date entered repayment.	The borrower is not included in the numerator because the borrower did not default.
The borrower' s loan was discharged due to death, bankruptcy, or disability after the borrower entered repayment but before the borrower would have defaulted.	The borrower is included in the denominator in the fiscal year when the borrower entered repayment.	The borrower is not included in the numerator because the borrower did not default provided that the data manager received timely notice of the borrower' s discharge.
The borrower' s loan was discharged due to death, bankruptcy, or disability after the borrower entered repayment and after the borrower defaulted.	The borrower is included in the denominator in the fiscal year when the borrower entered repayment.	The borrower is included in the numerator of the cohort default rate calculation if the borrower defaulted or met other specified conditions during the cohort default period.

Figure 2.1.2 (cont.) - Special Circumstances Table (part 3 of 4)

Situation	How it affects the denominator	How it affects the numerator
A school, its owner, its agent, or another entity or individual associated with the school makes a payment on behalf of the borrower in order to avoid default.	The borrower is included in the denominator in the fiscal year when the borrower entered repayment.	The borrower is included in the numerator. If a school, its owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment on a borrower's loan before the end of the cohort period to prevent a borrower's default, then that loan is considered to be in default for purposes of calculating a cohort default rate.
A loan was fully refunded, or canceled, within 120 days of loan disbursement.	Canceled loans are not included in the cohort default rate calculation.	Canceled loans are not included in the cohort default rate calculation.
A loan was partially refunded within 120 days of loan disbursement.	The borrower is included in the denominator in the fiscal year when the borrower entered repayment on the portion of the loan that was not refunded.	The borrower is included in the numerator of the cohort default rate calculation if the borrower defaulted or met other specified conditions during the cohort default period.
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 denominator in the fiscal year when the early repayment schedule begins.	The borrower is included in the numerator of the cohort default rate calculation if the borrower defaulted or met other specified conditions during the cohort default period.
A borrower paid the loan in-full before the date the borrower was scheduled to enter repayment.	The borrower is included in the denominator based on the 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 in the numerator because the borrower did not default.

Figure 2.1.2 (cont.) - Special Circumstances Table (part 4 of 4)

Situation	How it affects the denominator	How it affects the numerator
A borrower paid the loan in-full after default without rehabilitating the loan.	The borrower is included in the denominator in the fiscal year when the borrower entered repayment.	The borrower is included in the numerator of the cohort default rate calculation because the loan was not successfully rehabilitated in accordance with HEA Section 428 F(a), 435(m)(2)(C), and 34 CFR Section 682.405(a) (for FFELs) or HEA Section 451(b)(2), 455(a)(1), and 34 CFR Section 685.211(e) (for Direct Loans).
A lender repurchases a defaulted loan because the guaranty agency determines that the lender failed to meet the insurance requirements and, as a result, the loan loses insurance.	Uninsured loans are not included in the cohort default rate calculation.	Uninsured loans are not included in the cohort default rate calculation.
A lender immediately repurchased a loan because it incorrectly submitted a claim to the guaranty agency and the lender does not submit another claim within the cohort default period.	The borrower is included in the denominator in the fiscal year when the borrower entered repayment.	The borrower is not included in the numerator because the borrower is not considered to be in default.
A lender immediately repurchased a loan because it incorrectly submitted a claim to the guaranty agency and the lender submits another claim that is paid within the cohort default period.	The borrower is included in the denominator in the fiscal year when the borrower entered repayment.	The borrower is included in the numerator because the subsequent claim was submitted and paid within the cohort default period.
A lender repurchased a defaulted loan that does not meet the rehabilitation criteria because the borrower established a new payment plan or because the lender requests a courtesy repurchase.	The borrower is included in the denominator in the fiscal year when the borrower entered repayment.	Since the loan was validly placed in default, the borrower should be included in the numerator if the original claim was paid during the cohort default period.

Figure 2.1.3 - Effects Table

If the Department:	And the borrower has no other loans included in the calculation:	And the borrower has other loans that are not in default included in the calculation:	And the borrower has other loans that are in default included in the calculation:
Adds a defaulted loan	Increase both the denominator and the numerator by one.	Increase the numerator by one; no other effect because the borrower is already included in the denominator.	No effect because the borrower is still included in the numerator and the denominator.
Subtracts a defaulted loan	Decrease both the denominator and the numerator by one.	Decrease the numerator by one; no other effect because the borrower is still included in the denominator.	No effect because the borrower is still included in the numerator and the denominator.
Adds a non-defaulted loan	Increase the denominator by one; no other effect because adding a non-defaulted loan does not affect the numerator.	No effect because the borrower is already included in the denominator and adding a non-defaulted loan does not affect the numerator.	No effect because the borrower is still included in the numerator and the denominator.
Subtracts a non-defaulted loan	Decrease the denominator by one; no other effect because subtracting a non-defaulted loan does not affect the numerator.	No effect because the borrower is already included in the denominator and subtracting a non-defaulted loan does not affect the numerator.	No effect because the borrower is still included in the numerator and the denominator.
Changes a defaulted loan to a non-defaulted loan	Decrease the denominator by one; no other effect because the borrower is still included in the denominator.	Decrease the numerator by one; no other effect because the borrower is still included in the denominator.	No effect because the borrower is still included in the numerator and the denominator.
Changes a non-defaulted loan to a defaulted loan	Increase the numerator by one; no other effect because the borrower is still included in the denominator.	Decrease the numerator by one; no other effect because the borrower is still included in the denominator.	No effect because the borrower is still included in the numerator and the denominator.