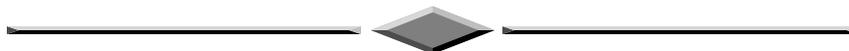


Cohort Default Rate Effects



Are there any consequences associated with draft cohort default rates?

No. However, there are consequences associated with **official** cohort default rates. Since the draft cohort default rate data form the basis of the official cohort default rates, and since a school may be unable to appeal or request an adjustment of its official cohort default rate if it fails to challenge its draft cohort default rate data, it is critical that a school review its draft cohort default rate data as soon as it is released by the U.S. Department of Education (Department) to ensure the cohort default rate data's accuracy.

Are there any consequences associated with official cohort default rates?

Yes. The Higher Education Act of 1965 (HEA), as amended and the Department's regulations describe the sanctions and benefits that apply when a school's official cohort default rate(s) meets certain levels.

The regulations that describe the sanctions and consequences associated with official cohort default rates were recently revised. The revised cohort default rate regulations published by the Department in the fall of 2000 will not go into effect until July 1, 2001. Therefore, the changes to the cohort default rate process noted in those regulations do not apply to the FY 1999 **draft** cohort default rates and/or the FY 1999 draft challenge processes. The first cohort default rates affected by the changes to the cohort default rate regulations will be the FY 1999 **official** cohort default rates.

The Department's Information for Financial Aid Professionals website at <http://www.ifap.ed.gov> contains a copy of the newly revised regulations. Please refer to 34 CFR Section 668.187 and 668.188 for a description of the sanctions and consequences that will be associated with official cohort default rates after July 1, 2001. The *Cohort Default Rate Guide* will contain information on the sanctions and consequences associated with official cohort default rates. The *Cohort Default Rate Guide* will be provided to schools at the time the FY 1999 official cohort default rates are released.