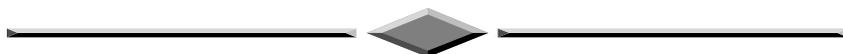


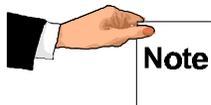
Participation Rate Index Challenge



QUALIFYING

Who is eligible to submit a participation rate index challenge?

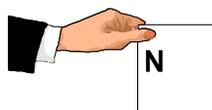
Any school, regardless of its cohort default rate, can submit a participation rate index challenge if it can demonstrate that it has a participation rate index equal to or less than 0.0375 for any of the three most recent cohort periods (i.e., FY 1995, FY 1996, and FY 1997).



Any school may file a participation rate index challenge even if its draft cohort default rate exceeds the threshold for a limitation, suspension or termination action (i.e., 40.1 percent or greater). However, a successful participation rate index challenge will not prevent the Department from initiating an action to limit, suspend, or terminate a school from all Title IV Student Financial Assistance Programs.

What benefit will a school gain from submitting a participation rate index challenge?

A school that submits a successful participation rate index challenge will **not** be subject to the loss of eligibility to participate in the Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program due to **official** cohort default rates that equal or exceed 25.0 percent for the three most recent years.



Only those schools that have (or could have) cohort default rates that are 25.0 percent or greater for the three most recent cohort periods will receive any benefit from submitting a participation rate index challenge.

What is a participation rate index?

A participation rate index is the percentage of a school's regular students enrolled on at least a half-time basis during a selected 12-month period who received a loan under the FFEL Program and/or Direct Loan Program during the same selected 12-month period **multiplied** by the school's cohort default rate.¹

Which cohort default rate is used to calculate a participation rate index?

A school may choose to base its participation rate index on either of:

- ◆ the school's **two most recent official** cohort default rates

OR

- ◆ the school's **most recent draft** cohort default rate.

The 12-month period for which the participation rate index is calculated must be associated with the cohort default rate used as described below.²

How does a school select the 12-month period on which to base its participation rate index challenge?

The participation rate index challenge must be based on "a 12-month period ending during the six months immediately preceding the fiscal year for which the cohort of borrowers used to calculate the institution's cohort default rate is determined."³ Accordingly, a school preparing a participation rate index challenge—

¹ HEA Section 435(a)(6)

² HEA Section 435(a)(6)(A)

³ HEA Section 435(a)(6)(A)

- ◆ based on its **FY 1995 official cohort default rate** must select a 12-month period that has a start date that is **no earlier than April 2, 1993 and no later than October 1, 1993.**
- ◆ based on its **FY 1996 official cohort default rate** must select a 12-month period that has a start date that is **no earlier than April 2, 1994 and no later than October 1, 1994.**
- ◆ based on its **FY 1997 draft cohort default rate** must select a 12-month period that has a start date that is **no earlier than April 2, 1995 and no later than October 1, 1995.**



A school's 12-month period cannot overlap the anniversary of the starting date.

- ◆ Acceptable FY 1997 12-month period:
June **20**, 1995 to June **19**, 1996
- ◆ Not Acceptable:
June **20**, 1995 to June **20**, 1996

TIMING

What are the time frames for a school to submit a participation rate index challenge?

Timing is critical for a school when submitting a participation rate index challenge. A participation rate index challenge must be submitted to the Department of Education (Department) within 30 calendar days from the date a school receives its most recent draft cohort default rate data.⁴ If a school fails to meet the statutory time frames for the challenge, the Department will NOT review its challenge.

⁴ HEA 435 Section(a)(6)(B)



Schools are **not** required to submit an independent auditor's attestation to support the participation rate index challenge.

SUBMITTING

How does a school calculate the participation rate index?

The **participation rate index (PRI)** is calculated as follows:

the school's cohort default rate [A1]	X	number of regular students enrolled on at least a half-time basis during the selected 12-month period who received an FFEL Program loan or Direct Loan Program loan for a loan period that overlaps the selected 12-month period by at least one day [A2]
		number of regular students enrolled on at least a half-time basis during the selected 12-month period [A3]

Information on how to select an acceptable 12-month period is provided on page 58.

To succeed on a participation rate index challenge, the school must have a participation rate index of 0.0375 or less.

Example: Technical School's FY 1997 draft cohort default rate is 25.0 percent. Technical School had a total of 200 regular students enrolled on at least a half-time basis during the selected 12-month period. Of those 200 students, 14 students received an FFEL Program loan for a loan period that overlaps the selected 12-month period by at least one day and 12 different students received a Direct Loan Program loan for a loan period that overlapped the selected 12-month period by at least one day. Technical School's participation rate index is calculated as follows:

$$\begin{array}{c}
 \boxed{25.0\% \text{ [A1]}} \times \frac{\boxed{14 \text{ (FFEL)} + 12 \text{ (DL)} = 26 \text{ [A2]}}}{\boxed{200 \text{ [A3]}}} = \boxed{0.0325}
 \end{array}$$

Technical School's participation rate index is 0.0325. Because this is less than 0.0375, Technical School can file a participation rate index challenge.

How does a school prepare and submit a participation rate index challenge to the Department?

Step 1: Identify data to support the school's participation rate index.

- ◆ Use the **FY [Year] Participation Rate Index (PRI)** spreadsheet on page 67 or its equivalent to count and list the students who will be included in the school's participation rate index.
- ◆ On the PRI spreadsheet, fill out the school's name and OPE ID Number.
- ◆ Select an acceptable 12-month period and enter it on the PRI spreadsheet (see page 58 for details on how to select a 12-month period).

- ◆ Fill out Column 1 of the PRI spreadsheet: **in numerical order**, list the Social Security numbers of all the regular students enrolled on at least a half-time basis during any part of the selected 12-month period.
- ◆ Fill out Column 2 of the PRI spreadsheet: for each Social Security number, list the student's name.
- ◆ Fill out Column 3 of the PRI spreadsheet: for each student, provide beginning and ending **enrollment dates**. For all enrollment dates, include the month, day and year (MM/DD/CCYY).



No student should be counted more than once in the calculation, even if the student re-enrolled.

- ◆ Fill out Column 4 of the PRI spreadsheet: if the student received an FFEL Program loan or a Direct Loan Program loan during the selected 12-month period, enter X. (If not, do not make an entry.)



If any part of the loan period falls within the 12-month period, the student must be identified and counted as having received a student loan.

- ◆ Fill out Column 5 of the PRI spreadsheet: For each student with an FFEL Program loan or a Direct Loan Program loan, provide the beginning and ending dates of the **loan period**.

Step 2: Calculate the school's participation rate index.

- ◆ Identify the school's relevant cohort default rate. This is **A1** in the participation rate index calculation. Enter this rate in Box A on the PRI spreadsheet.

- ◆ Count the number of Xs that appear in Column 4. The total number of Xs will be **A2** in the calculation. Record this number in Box A on the PRI spreadsheet.
- ◆ Count the total number of students listed in the PRI spreadsheet by counting the number of entries in Column 1. The total number of students will be **A3** in the calculation. Record this number in Box A on the PRI spreadsheet.
- ◆ Calculate **A1 x A2 / A3** and record the result in Box A on the PRI spreadsheet. **This is the school's participation rate index.**



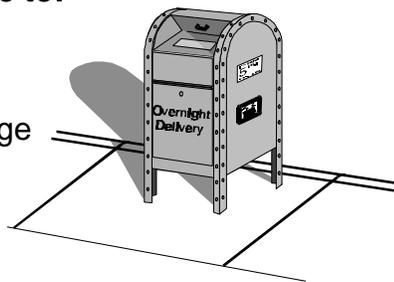
For a successful challenge, the school's participation rate index must be .0375 or less.

Step 3: Submit the school's properly completed participation rate index challenge to the Department.

- ◆ Within **30 calendar days** of the school receiving its most recent draft cohort default rate notification letter, the school must mail its participation rate index challenge to the Department.

If sent by commercial overnight mail/courier delivery, send your participation rate index challenge to:

U.S. Department of Education
 Default Management Division
 ATTN: Participation Rate Index Challenge
 ROB-3, Room 3905
 7th and D Streets, SW
 Washington, DC 20202



If sent by U.S. Postal Service, send your school's participation rate index challenge to:

U.S. Department of Education
Default Management Division
ATTN: Participation Rate Index
Challenge
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

The following should be sent to the Department.

Tab 1

The section behind Tab 1 contains:

- ◆ A letter on the school's letterhead with—
 - ❖ the school's OPE ID number;
 - ❖ a statement indicating that the school is submitting a participation rate index challenge;
 - ❖ the fiscal year to which the challenge applies;
- AND
- ❖ the signature of the school's President/ CEO/Owner, followed by a signature block providing the signer's name and job title.

Please refer to page 66 in this section for the **FY [Year] Participation Rate Index Challenge** sample letter.

Tab 2

The section behind Tab 2 contains:

- ◆ A list, in spreadsheet format, of the students used to calculate the school's participation rate index.

Please refer to page 67 in this section for a sample spreadsheet and detailed instructions on how to create the **FY [Year] Participation Rate Index** spreadsheet.

School's Participation Rate Index Cover Letter



Technical School

1212 Commanche Lane
Leonardtown, Wisconsin 12345-6789
(123) 456-7890

[date]

Sample Letter

U.S. Department of Education
Default Management Division
Attn: Participation Rate Index Challenge
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID#: [OPE ID#]

Subject: FY [Year] Participation Rate Index Challenge

To Whom It May Concern:

[school name], OPE ID# [OPE ID#], is submitting its FY [Year] participation rate index challenge.

Please see the enclosed spreadsheet.

Thank you for your consideration.

Sincerely,

John Doe

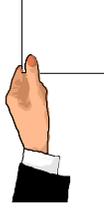
[name and official title of President/CEO/Owner]

Enclosure

Participation Rate Index Challenge

How to fill out FY [Year] Participation Rate Index Challenge Spreadsheet

Enter X if the student received an FFEL Program loan or a Direct Loan Program loan for a loan period that coincides with any part of the selected 12-month period. Leave blank if the student did not receive a loan or the loan period does not coincide with 12-month period.



If a loan was received, enter MM/DD/CCYY to identify the beginning date and ending date of the loan period. If column 4 is not filled out, leave this column blank.

, the number of students (reported in column 4) who received [A2], the number of regular students (listed in Column 1), and the school's participation rate index [A1xA2/A3].

School's Participation Rate Index Challenge Spreadsheet

FY [Year] Participation Rate Index Challenge

Sample FY 1997 25.0%
 Sample 4/2/1995-4/1/1996

Box A

Applicable Cohort Default Rate [A1] _____ %
 No. of Students Receiving FFEL/DL loans (reported in column 4) [A2] _____
 No. of Regular Students (listed in column 1) [A3] _____
 Participation Rate Index [A1 x A2/A3] _____

1. Student's SSN	2. Student's Name	3. Student's enrollment dates (from MM/DD/CCYY to MM/DD/CCYY)	4. If student received FFEL Program and/or Direct Loan Program loan during any part of the 12-month period, enter X	5. Beginning dates and ending dates of loan periods for FFEL or Direct Loan loans, if received (from MM/DD/CCYY to MM/DD/CCYY)
111-11-1111	Jane Smith	3/15/1995-3/10/1996	X	9/30/1995-3/10/1996
222-22-2222	John Doe	6/16/1995-10/3/1996		