

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.

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

Which schools are eligible to submit an incorrect data challenge?

Any school that receives a draft cohort default rate, including those with draft cohort default rates below 25.0 percent, is provided the opportunity to challenge its most recent draft cohort default rate. 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 Even schools that have withdrawn from the Federal Family Education Loan (FFEL) and/or William D. Ford Federal Direct Loan (Direct Loan) programs should review the LRDR for the draft cohort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

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- ◆ a borrower was incorrectly excluded from the draft cohort default rate calculation.

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.

- ◆ 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's Default Prevention and Management (DPM) office after the release of the official cohort default rates to request that DPM 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. If a school submits incorrect data challenge allegations to the wrong entity, the incorrect data challenge 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 incorrect data challenge allegations within 30 calendar days of receipt. However, the data manager must not review incorrect data challenge allegations if the school did not send the incorrect data challenge allegations within the 45-calendar-day timeframe. If the data manager does not respond within 30 calendar days, the school should advise DPM in writing of the delay.

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.

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.

DPM is responsible for responding to a school’s incorrect data challenge for FFELs that the Department holds. These loans are primarily identified in the LRDR with a guarantor/servicer code of 555. See the “Alphabetical Data Manager Contacts” on the DPM Web site (under the Default Rate Guide Link) for a listing of other codes that identify the Department as the holder of a loan.

The Department’s Direct Loan servicer is responsible for responding to a school’s incorrect data challenge for all Direct Loans, even those that are in default. These loans are identified in the LRDR with a guarantor/servicer code of 0101.

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 to the data manager responsible for the loan with the inaccurate data. 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?

A school must list separate incorrect data challenge allegations for each loan record that the school believes contains inaccurate data. If one data manager is responsible for all of the loans, the school must list all the allegations in one incorrect data challenge. However, if there are multiple data managers involved, the school must submit a separate incorrect data challenge to each data manager. For example, a school believes the LRDR contains three loans with inaccurate 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 incorrect data challenges, one for each data manager, listing only the loans held by each data manager.

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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.

If a school submits an incorrect data challenge to the wrong entity, the incorrect data challenge will not be reviewed and the school could miss the deadline for challenging the draft data. Incorrect data challenges are not sent to DPM unless the school is challenging a FFEL loan that the Department holds.

The incorrect data challenge must include the following items:

- ◆ A completed incorrect data challenge spreadsheet that lists the inaccurate data reflected on the LRDR (see sample spreadsheet below).
- ◆ Copies of the appropriate pages from the LRDRs (see Chapter 3.1, “Reviewing Rates and Loan Data,” for examples of the LRDR pages that a school should submit).
- ◆ 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).
- ◆ A letter on the school’s letterhead (see sample letter at the end of this chapter).

Sample Spreadsheet – School to Data Manager

Type: Incorrect Data Challenge
 Cohort FY: 2004
 From: Graphic Tech
 Code: 099999
 To: State Guaranty Agency
 Code: 111

Number of Borrowers: 2
 Number of Loans: 3

	A	B	C	D	E	F	G	H	I	J	K
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
1	010-10-0101	Hartsgrove, Matt	SF	1	12/21/1999	06/22/2000	06/25/2004	FY 2004 FY 2000	-B +D	Incorrect data entered; repayment based on incorrect last day of attendance	N/A
2	101-01-1010	Freerkson, Drew	SF	1	N/A	N/A	N/A	FY 2004	-B	Loan was fully repaid and canceled	N/A
3	101-01-1010	Freerkson, Drew	SU	1	N/A	N/A	N/A	FY 2004	-B	Loan was fully repaid and canceled	N/A
4											
5											

Date 02/14/2006

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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>

- ◆ The Department recommends that a school send all incorrect data 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 incorrect data challenge. A school should maintain the documentation that verifies the receipt of the incorrect data challenge as well as all electronic and hardcopy documentation submitted as a part of the incorrect data challenge process. If a school does not meet the 45-calendar-day timeframe for submitting an incorrect data challenge, the incorrect data challenge will not be reviewed.

The data manager must respond to a school's incorrect data challenge within 30 calendar days of receiving the incorrect data challenge. If the data manager disagrees with a school's incorrect data challenge allegations, it must provide documentation to support its decision.

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 DPM Web site, (under the "Default Rate Guide" link), for a listing of data manager codes and addresses.

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

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 for which the entity is the data manager and send a copy of the response to DPM. However, a data manager must not review a school's incorrect data challenge if the 45-calendar-day timeframe for a school to submit the incorrect data challenge has expired. If the school's due date falls on a weekend or a federal holiday; a school may send its incorrect data challenge to the data manager no later than the next federal business day.

Before denying a school's incorrect data challenge on the basis of a late submission, a data manager should verify the actual date the school received its draft cohort default rate notification package from DPM. If the school did not submit the incorrect data challenge in a timely manner, the data manager must not review any part of the incorrect data challenge. In its response to the school, the data manager should explain that it is unable to review the incorrect data challenge because the school missed the regulatory deadline. The data manager must also send a copy of the response to DPM.

The data manager must respond to a timely submitted incorrect data challenge within 30 calendar days of receiving the incorrect data challenge. In its incorrect data challenge response, the data manager will address each of the school's timely submitted incorrect data challenge allegations. If the data manager does not respond within 30 calendar days, the school should advise DPM in writing of the delay.

If the incorrect data challenge is timely, a data manager must review each incorrect data challenge allegation submitted by the school:

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For foreign schools the "timeframe begin date" is the day after the date of receipt of the official cohort default rate notification package.

- ◆ 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, the data manager should notify the school and DPM that the incorrect data challenge must be submitted to the appropriate data manager and remind the school that the incorrect data challenge must be submitted to the appropriate data manager within 45 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 draft cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and DPM a notice stating that the loans have been assigned to the Department. The school then has until the later of the initial 45-calendar-day deadline or 15 calendar days after receipt of the letter from the data manager to submit the incorrect data challenge to DPM.

- ◆ The data manager should determine if all relevant material is present.

See the section of this chapter entitled "How does a school submit an incorrect data challenge?" for information on the materials a school is required to submit with its incorrect data challenge. 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 45-calendar-day deadline for submitting incorrect data challenges. If the school does not submit the additional information within the deadline, the data manager must not review the incorrect data challenge allegation.

- ◆ The data manager should determine if its documentation supports or refutes each of the incorrect data challenge 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 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 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 DPM.

After making its determinations, the data manager must compile a list of the data manager's responses to the school's list of alleged errors. The data manager must record the responses to each of the alleged errors on an incorrect data challenge response spreadsheet and provide comments on why the data manager agrees or disagrees with each of the school's incorrect data challenge 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. 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 must provide supporting documentation if the data manager disagrees with the school's incorrect data challenge 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 response must include the following:

- ◆ A spreadsheet of the data manager's responses to the school's list of alleged errors (see sample spreadsheet on the next page).
- ◆ Copies of supporting documentation for each incorrect data challenge 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 this chapter).

Sample Spreadsheet – Data Manager to School

Type: Incorrect Data Challenge
 Cohort FY: 2004
 From: State Guaranty Agency
 Code: 111
 To: Graphic Tech
 Code: 099999

Number of Borrowers: 2
 Number of Loans: 3

	A	B	C	D	E	F	G	H	I	J	K
	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
1											
2	010-10-0101	Hartsgrove, Matt	SF	1	12/21/1999	06/22/2000	06/25/2004	FY 2004 FY 2000	-B +D	School sent enrollment status change on 01/15/2000	Agree
3	101-01-1010	Freerkson, Drew	SF	1	10/01/2003	04/02/2004	05/01/2005	FY 2004	No effect	School says loan repaid but no supporting documentation	Disagree
4	101-01-1010	Freerkson, Drew	SU	1	10/01/2003	04/02/2004	05/01/2005	FY 2004	No effect	School says loan repaid but no supporting documentation	Disagree
5											

Date 03/01/2006

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The data manager sends its response to the school and a copy of the response to DPM.

If a data manager is unable to respond within 30 calendar days of receiving the school's incorrect data challenge, 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 DPM has been informed of the delay.

If a data manager can respond to only a portion of a school's incorrect data challenge allegations within 30 calendar days, it should hold that portion of the response until it can provide a response to all of the school's incorrect data challenge allegations. The data manager should send a letter to the school and DPM that provides the information outlined above.

What does DPM do with a data manager's incorrect data challenge response?

DPM reviews data manager responses to schools' incorrect data challenges to ensure that the responses are correct. If DPM determines that the data manager responses are not correct, DPM will notify the data manager and the school prior to the release of the official cohort default rates that the data

manager's responses were incorrect and will provide the correct responses. DPM will instruct the data manager to resubmit the corrected data to NSLDS. The data manager must ensure that NSLDS is correctly updated. The data manager must also ensure that its internal records are correctly updated.

How a data manager submits a copy of the incorrect data challenge response to the Department

DPM 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 incorrect data challenge response as well as all other electronic and hardcopy documentation submitted as a part of the incorrect data challenge process.

The data manager can use this information when submitting monthly status reports to DPM. For additional information on monthly status reports, see Chapter 3.3, "Data Manager Strategies & Reports."

If sending by courier:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
830 1st Street, NE
Washington, DC 20002

If sending by U.S. Postal Service:

U.S. Department of Education
Default Prevention and Management
Union Center Plaza 084F
400 Maryland Avenue, SW
Washington, DC 20202-5353

Do not send materials to any other address at the Department

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

The incorrect data challenge process is considered complete when the data manager responds to the school's incorrect data challenge. However, 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 to the data manager 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 receiving the inquiry and send a copy of the response to DPM.

A school cannot appeal a data manager's incorrect data challenge response to DPM during the draft process. The school should keep the data manager's incorrect data challenge response to review and to compare the response to the school's LRDR for the official cohort default rates.

Sample Letter (School to Data Manager)



Graphic Tech

2341 Toulouse Street
Cape Canaveral, FL 32921-2341

February 14, 2006

ATTN Lisa Neiers
Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 68701-0132

OPE ID 099999

Subject: Cohort FY 2004 Incorrect Data Challenge

Dear Ms. Neiers:

Graphic Tech, OPE ID 099999, is challenging the data found in our loan record detail report for the FY 2004 draft cohort default rate. Please see the enclosed spreadsheet, pages from the loan record detail report from the draft cohort default rate, and supporting documentation.

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

Enclosures

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. (See sample school incorrect data challenge letter to a data manager.)

Sample Letter (Data Manager to School)

**State
Guaranty
Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132**

March 1, 2006

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

OPE ID 099999

Subject: Cohort FY 2004 Incorrect Data Challenge Response

Dear Mr. Peachum:

This is State Guaranty Agency's response to the cohort FY 2004 incorrect data challenge that Graphic Tech, OPE ID 099999, submitted on February 14, 2006. 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 check your loan record detail report for the official cohort default rates to ensure that the change was made, and if not, submit an uncorrected data adjustment to Default Prevention and Management.

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.

Sincerely,

Lisa Neiers
Compliance Officer

Enclosures

cc: U.S. Department of Education,
Default Prevention and Management

The letter must indicate that the data manager is responding to the school's incorrect data challenge and state the cohort fiscal year to which the response applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the challenge] Incorrect Data Challenge Response." The letter must include a statement that a copy of the response has been sent to DPM. 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.

Incorrect Data Challenge Checklists

School to Data Manager

Determine

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

Submit to Data Manager

- Spreadsheet
- Relevant Pages of Loan Record Detail Report
- Supporting Documentation
- Letter

Data Manager to School

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

- Spreadsheet
- Supporting Documentation
- Letter

Follow-up

- Send copy of response to DPM
- Update NSLDS and internal records (if necessary)
- Send monthly status report to DPM