

Cohort Default Rate Guide

Guaranty Agencies & Lenders

September 2012

Fiscal Year 2010

U.S. Department of Education Operations Performance Division Business Operations

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INTRODUCTION

This guide contains information about the publication of the Fiscal Year (FY) 2010 two-year and FY 2009 three-year cohort default rates (CDRs) for originating lenders, current holders, and guaranty agencies participating in the Federal Family Education Loan (FFEL) Program, as mandated by the Higher Education Act of 1965, as amended.

BACKGROUND

Under Section 430(e) of the Higher Education Act of 1965, as amended (HEA), the Department of Education (the Department) is required to publish the cohort default rates of lenders, subsequent holders, guaranty agencies and Colleges and Universities participating as a lender in the FFEL Program. The purpose of this guide is to provide the student loan industry with information on the calculation of the cohort default rates.

As defined in Section 435(m) of the HEA, the term **cohort default rate**, for any fiscal year where 30 or more student borrowers enter repayment, is the percentage of those borrowers who enter repayment on certain FFEL Program loans during a particular fiscal year and default within the same fiscal year or within the next fiscal year.

Two-Year “Cohort Default Period”

The two-year cohort default rates are being phased out. For these rates, the Department will continue computing for each fiscal year in which borrowers enter repayment up to and including, but not after, fiscal year 2011. 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. The Department will publish the final two-year cohort default rates, for FY 2011, in September 2013.

Three-Year “Cohort Default Period”

The three-year cohort default rates are being phased in. For three-year cohort default rates, the Department will compute for fiscal year 2009 and for each succeeding fiscal year in which borrowers enter repayment. The phrase “cohort default rate 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. The Department will publish the first three-year cohort default rate, for FY 2009, in September 2012.

<u>Published</u>	<u>2-Year Rates</u>	<u>3-Year Rates</u>
9/2011	Cohort Year 2009	N/A
9/2012	Cohort Year 2010	Cohort Year 2009
9/2013	Cohort Year 2011	Cohort Year 2010
9/2014	N/A	Cohort Year 2011

Cohort default rates are calculated for originating lenders, subsequent holders, and guaranty agencies on the basis of their respective Lender Identification Numbers (LID) or Guaranty Agency Identification Numbers. Each assigned number identifies a separate lender or guaranty agency on record at the Department of Education. The LID provides the guaranty agencies with a means of reporting loan activity.

The cohort default rates are calculated based on data reported to the National Student Loan Data System (NSLDS) by the guaranty agencies. Cohort default rates (CDR) are calculated bi-annually. The first calculation is known as the draft, which is calculated in January and distributed in February. The official CDR calculation occurs in July with a September distribution. The following loan types are included in the CDR calculation: Subsidized Federal Stafford, Unsubsidized Federal Stafford, Federal Supplemental Loan for Students¹ (Federal SLS), and Federal Consolidation Loans that repaid Federal Stafford or Federal SLS loans. The NSLDS data submitted by the guaranty agencies are prepared according to procedures developed by the Department of Education and reflect activity on the loans through September 30, 2011. Since the FY 2010 two-year and FY 2009 three-year cohort default rates are calculated based on data supplied to the Department of Education by the guaranty agencies, a lender or holder should address any initial questions on data to these agencies.

Loans made under a Lender-of-Last-Resort program, Federal PLUS loans, and Federally Insured Student loans are not used in the calculation. Loans that are transferred from one guaranty agency to another are included in the cohort default rate of the guaranty agency that held the loan as of the date entered repayment unless the loan had a default claim within the cohort period. If a default claim has been paid then the loan is included for the guaranty agency that held the loan at the time of the claim. For example, if a loan was originally guaranteed by the Finance Authority of Maine (FAME) and was transferred to the Great Lakes Higher Education Corporation (Great Lakes), that loan will be included in FAME's cohort default rate. If the loan had a default claim paid during the cohort period and after the transfer to Great Lakes, that loan will be included in Great Lakes' cohort default rate.

Cohort Default Rate Formula for FY 2010 (Two-year rate)

PLEASE NOTE: As a result of loans being sold to the Department under the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) during the

¹ Federal SLS loans have not been issued since July 1, 1994. However, it is possible for a Federal SLS loan to be included in a recent cohort default rate calculation if the borrower has recently entered into repayment on the Federal SLS loan.

FY 2010 two-year and FY 2009 three-year cohort periods, the ED-HELD loans are not included in the FY 2010 2-year and FY 2009 three-year Official Cohort Default Rate for guaranty agencies.

$$100 \times \frac{\begin{array}{c} \text{\# of students who entered repayment on their loans in FY 2010} \\ \text{and defaulted in FY 2010 or FY 2011} \\ \text{(Numerator)} \end{array}}{\begin{array}{c} \text{\# of students who entered repayment on their loans in FY 2010} \\ \text{(Denominator)} \end{array}}$$

Example:

A lender has made loans to 100 students entering repayment in FY 2010 (October 1, 2009 through September 30, 2010). Of those 100 students, 25 defaulted on their student loans prior to October 1, 2010 and had a default claim paid by the guaranty agency. This lender's FY 2010 cohort default rate is calculated by dividing 25 by 100 and multiplying the result by 100 to produce a cohort default rate of 25.0 percent.

Denominator: The number of students who entered repayment in FY 2010. If a student has more than one loan included in the data (for example, two Federal Stafford loans or one Federal Stafford and one Federal SLS loan), the student will be counted only once. However, if a student borrowed from more than one lender, he or she is counted in the calculation for each lender.

Numerator: If a student has a loan that entered repayment in FY 2010 and a default claim was paid by the guaranty agency during that fiscal year or the subsequent fiscal year ending September 30, 2011 the student is counted in the numerator, even if the student later enters into a repayment arrangement with the guaranty agency, or the student subsequently repaid his or her loan in full to the guaranty agency.

Discharged Loan: Loans that are discharged due to death, total and permanent disability, or bankruptcy are not counted in the numerator when calculating the FY 2010 cohort default rate if the guaranty agency was officially notified of the death, disability, or bankruptcy **before** a default claim was paid.

Once data for a specific fiscal year is submitted to NSLDS by a guaranty agency the guaranty agency continues updating on a scheduled basis until the rates are calculated. If a lender has technical questions regarding cohort default rate calculations that cannot be answered by the guaranty agency, contact NSLDS Customer Support Center at 1-800-999-8219. Their web address is: <http://www.nslsdfap.ed.gov>.

Section 430(e) of the HEA also mandates that originating lenders, holders, and guaranty agencies have the opportunity to correct cohort default rate information. If a lender or holder believes that

the data are incorrect and should be changed, it should promptly refer to the NSLDS web site at <http://www.nslsdfap.ed.gov> to request back-up data (loan record detail report). For instructions on how to correct cohort default rate information go to “Data Corrections”, page 12. For information about back-up data printouts go to page 20.

Lenders (or holders) that have questions about the data should contact the guaranty agency. For a list of guarantors and their telephone numbers and addresses go to Appendix B, page 22. Other questions on lender, holder, or guaranty agency default rates may be referred to the Default Coordination Team, Operations Performance Division. The address is listed on Appendix A, page 21.

COMMONLY ASKED QUESTIONS

1. Why am I receiving two sets of cohort default rates?

On October 28, 2009, the Department published in the Federal Register the regulations that will govern the calculation of the 3-year cohort default rates beginning with the FY 2009 cohort year. Section 436(e) of the [Higher Education Opportunity Act of 2008](#) amended section 435(m) of the Higher Education Act of 1965 to implement the change from 2-year to 3-year cohort default rates. Section 436(e) (2) establishes FY 2009 as being the first cohort year that 3-year cohort default rates will be released.

Beginning with the FY 2009 cohort year, 3-year cohort default rates will be released. To help transition from 2-year to 3-year rates, guaranty agencies and lenders will receive two cohort default rates, a 2-year and a 3-year until September 2014 when only a 3-year rate will be released.

2. Where can I get a copy of the Cohort Default Rate Guide for Guaranty Agencies and Lenders?

The guide can be found on the IFAP Web site at <http://www.ifap.ed.gov/ifap/byYear.jsp?type=cdrguidelenderga> or you can contact the Operations Performance Division, Default Coordination Team at (202) 377-3053.

3. What is a cohort default rate?

The term **cohort default rate** is defined in Section 435(m) of the HEA. The formula for calculating the two-year cohort default rate is described below.

$$100 \times \frac{\text{\# of students who entered repayment in FY 2010 and defaulted on or before the end of FY 2011 (Numerator)}}{\text{\# of students who entered repayment in FY 2010 (Denominator)}}$$

The formula for calculating the three-year cohort default rate is described below.

$$100 \times \frac{\text{\# of students who entered repayment in FY 2009 and defaulted on or before the end of FY 2011 (Numerator)}}{\text{\# of students who entered repayment in FY 2009 (Denominator)}}$$

4. What is a 2-year cohort default rate (CDR)?

An organization's cohort default rate is the percentage of borrowers who enter repayment on certain loans in the Federal Family Education Loan (FFEL) Program during that fiscal year and defaulted (or meet other specified conditions) before the end of the following fiscal year.

5. What is a 3-year cohort default rate (CDR)?

An organization's cohort default rate is the percentage of borrowers who enter repayment on certain loans in Federal Family Education Loan (FFEL) Program during that fiscal year and default (or meet other specified conditions) before the end of the **second fiscal** year.

6. When are 2-year and 3-year cohort default rates released?

The Department releases cohort default rates twice each year. Generally, the Department releases draft 2-year and 3-year cohort default rates in January or February. Official cohort default rates are generally released to guaranty agencies and lenders 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 of each year. After guaranty agencies/lenders receive their official cohort default rate data, guaranty agencies/lenders are provided an opportunity to identify and correct any inaccuracies by submitting a data correction request.

7. When is a loan considered to be in default?

A loan is considered in default for cohort default rate purposes if the guarantor paid a claim during the cohort period with a claim reason of default. Closed schools and false certification claims were included in the calculation prior to February 2003.

8. Where does the Department obtain the data for calculating the lender, holder and guaranty agency cohort default rates?

The FY 2010 two-year and FY 2009 three-year cohort default rates were calculated based on data reported to the National Student Loan Data System (NSLDS) by the guaranty agencies. The NSLDS data submitted by the guaranty agencies was prepared according to procedures developed by the Department and reflect activity through September 30, 2011

9. How is the numerator calculated?

If a student entered repayment in FY 2010 (for the two year calculation) or FY 2009 (for the three-year calculation), defaulted on his or her loan, and a default claim was paid by September 30, 2011, the student is counted as in default in the FY 2010 two-year or FY 2009 three-year cohort default rate calculation, even if the student later enters into a repayment arrangement with the guaranty agency or repays his or her loan in full to the guaranty agency. The date entered repayment is reported by guaranty agencies to NSLDS on the guaranty agency submittal file.

10. How is the denominator calculated?

The denominator is the total number of students that entered repayment in the FY 2010 (for the two year calculation) or FY 2009 (for the three-year calculation) cohort year. If a student had more than one loan in NSLDS (for example, two Federal Stafford Loans or one Federal Stafford and one Federal SLS loan), the student will be counted only once. However, if a student borrowed from more than one lender or guaranty agency, he or she is counted in the calculation for each lender or guaranty agency.

11. Are discharged loans included in the cohort default rate, e.g., death, disability, or bankruptcy?

Loans that are discharged due to death, total and permanent disability, or bankruptcy are counted in the FY cohort default rate calculation as part of the denominator. Loans that are discharged due to death, disability, or bankruptcy are not counted in the FY cohort default rate calculation as a part of the numerator **if** the guaranty agency was officially notified of the death, disability, or bankruptcy **before** a default claim was paid.

12. What opportunity will guaranty agencies, lenders, and holders have to correct the data?

Any guaranty agency/lender that receives a cohort default rate has the right to correct their rate, but they must provide supporting documentation for a rate change. To correct the cohort default rate, the lender or holder must first request the back-up data from the NSLDS web site at <http://www.nslsdfap.ed.gov>. The back-up data comes from the data that was electronically reported to NSLDS by the guaranty agencies. For details, see “Data Corrections” on page 12.

After requesting and reviewing the data, a lender or holder may contest its cohort default rate by providing the guaranty agency(ies) with any relevant documentation to support its contention that the data is incorrect and should be changed. The guaranty agency must review the documentation and determine whether it agrees that the data is incorrect. The guaranty agency must notify the lender or holder and the Department, in writing, of its conclusion. The Department will make the final decision on the correction(s).

13. What is the process for data corrections for lenders and holders?

For details, see “Data Corrections” on page 12.

14. What type of allegations may a guaranty agency or lender submit as a data correction?

Data Conflicts

For further details, see “What is a Data Correction” on page 13.

15. What is the difference between an originating lender/holder and the current lender/holder?

The Originating lender represents the entity that provided and originated the loan to the borrower. The Current lender or subsequent holder represents the last entity to hold the loan at the time the cohort default rate was calculated.

16. Which NSLDS loan type codes are included in the calculation of the cohort default rates?

Subsidized Federal Stafford (SF and D1), Unsubsidized Federal Stafford (SU and D2), Federal Supplemental Loan for Students (SL) and Federal Consolidated Loans (CL, D5 and D6) with specific rules. All other FFELP loan types are excluded.

Federal Consolidation Loans (CL) is linked back to the underlying loans paid by consolidation. If the underlying loan entered repayment and is included in the denominator and the Consolidation Loan defaults in the cohort period, the borrower will be counted in the numerator for cohort default rate purposes.

Borrowers of Subsidized Federal Stafford, Unsubsidized Federal Stafford, Federal SLS, and Federal Consolidation Loans that repaid Federal Stafford or Federal SLS loans will be included in the calculation of cohort default rates. Loans made under a Lender-of-Last-Resort program are not used in the calculation. Loans that are transferred from one guaranty agency to another are included for the current guaranty agency's cohort default rate unless the loan had a default claim within the cohort period and prior to the transfer.

17. Which NSLDS loan status codes are included and excluded from the cohort default rate calculation?

All NSLDS loan status codes are included in the cohort default rate calculation except abandoned (AL), uninsured (UA, UB, UC, UD, and UI), and cancelled (CA) loan status codes.

18. How can I get a copy of my loan record detail report?

Log on to the NSLDS Professional Access Web site at <http://www.nslsdfap.ed.gov> or contact Business Operations, Operations Performance Division, Default Coordination Team at (202) 377-3053.

To retrieve this information from the NSLDS website, log on with your NSLDS User ID, navigate to the Report Tab, and select Report DRC040 for the GA Cohort Default Rate History Report or select Report DRC045 for the Lender Cohort Default Rate History Report. The Loan Record Detail Report (LRDR) will be delivered to the TG Box associated with the requestor's NSLDS User ID. The data is available in report or extract format.

The file layout for the extract format can be found on the IFAP Web site at:

<http://www.ifap.ed.gov/nsldsmaterials/020411NSLDSLenderCohortDefaultRateHistoryReportDRC045.html>.

If you have questions on how to request an NSLDS User ID, please contact your guaranty agency or lender's Destination Point Administrator (DPA). If you need information on how to request NSLDS web report please call the NSLDS Customer Support Center at 1-800-999-8219. If you need information on how to retrieve your LRDR from your TG mailbox, please contact the CPS/SAIG Technical Support at 1-800-330-5947.

19. How are the borrowers of Consolidation Loans counted in Guaranty Agency cohort default rates?

The Cohort Default Rate program evaluates the reported date entered repayment of the underlying loans (loans that NSLDS has linked to a consolidation loan) to determine which cohort fiscal year the borrower is counted.

- For loans with a paid-in-full through consolidation loan status code ('PC', 'PN', or 'DN'), the program determines if the guaranty date of the consolidation loan was on or before the end of the Cohort Period (two-year window beginning with Cohort Fiscal Year begin date). Loans that are within the Cohort Period are counted as follows:
 - If a claim does not exist on the consolidation loan, the GA that held the underlying loan on the date of maturity will have the borrower counted in the denominator of their agency's cohort default rate.
 - If a claim does exist on the consolidation loan, the GA that held the consolidation loan on the date that the claim was paid will have the borrower counted in the numerator and denominator of their agency's cohort default rate.
 - If a claim exists on the underlying loan of a consolidation loan, the GA that held the underlying loan on the date the claim was paid will have the borrower counted in their numerator and denominator.
 - If the consolidation loan was made after the end of the Cohort Period, the underlying loan is processed as if no consolidation loan had occurred.

Loans reported to NSLDS as part of the Lender-of-Last-Resort are NOT included in the cohort default rate calculation. Loans reported to NSLDS as part of the Lender-of-Last-Resort are NOT included in the cohort default rate calculation.

20. How important is the Date Entered Repayment, as reported to NSLDS, in the cohort default rate calculation?

The date entered repayment is integral to the cohort default rate calculation. As a result, it is important that the guaranty agency ensure that this date is reported accurately to NSLDS.

1. For loans closed as a result of consolidation that have not entered repayment, set the date equal to the effective date of the paid in full through consolidation loan status ('PC', 'PN', or 'DN').
2. The cohort default rate calculation uses the date entered repayment to determine which borrower to count in the denominator. Continually moving the date entered repayment could cause a loan to be included in multiple cohort fiscal year calculations or if the date entered repayment is incorrect, a loan could be included in the wrong cohort year.
3. Many guaranty agencies determine the date entered repayment based on the borrower's anticipated completion date. It is important to update the date entered repayment to be equal to the borrower's separation date (withdrew, graduated, or less than half-time) plus the grace period plus one day. Furthermore, the anticipated completion date reported in the NSLDS Enrollment Reporting process is not used in the cohort default rate calculation.
4. In cases when the borrowers pay the loan in full while in their grace period or, prior to the end of the loan period, it is important that the date entered repayment be updated to the effective date of the loan being paid in full. A future date entered repayment remaining on a loan can cause the borrower to be counted in the wrong cohort year unless the loan is cancelled.
5. Once the loan has entered repayment, the date entered repayment should not be changed except to correct an error. (Do not replace an original date entered repayment with the date associated with a new loan, or the date the borrower resumes repayment after deferment or forbearance.)

Note: If the loan is paid in full within 120 days of disbursement, then the loan is cancelled. Cancelled loans are not counted in the cohort default rate calculation.

Reporting Ineligible Borrower Claims Defaults

A loan for which the borrower is ineligible due to the borrower's or student's error is treated as a default if the borrower fails to repay the full amount due within 30 days after the final demand letter is mailed. For these loans to be appropriately reported to NSLDS and to be included in the calculation for cohort default rates, it is important that the NSLDS claim reason code for these claims be reported as 'DF'.

21. How do loans being consolidated affect the cohort default rate?

In order for a consolidation loan to be considered in the cohort default rate calculation a **link** must be established between the underlying loan and the consolidation loan. The link between an underlying loan and a consolidation loan is established according to procedures developed by the Department of Education.

Linking

To link an underlying loan to a consolidation loan, the following two conditions must be met.

1. The underlying loan must be reported as paid through consolidation (NSLDS Loan Status Codes 'PC', 'PN' or 'DN').

2. The underlying loan must have a loan status date that is 210 days on or after the guarantee date of the consolidation loan.

When the two conditions exist, the link is established between the underlying loan and the consolidation loan. If the paid through consolidation loan status date of the underlying loan is prior to the guarantee date of the consolidation loan, the underlying loan will **not** be linked to the consolidation loan and the consolidation loan will not be included in the cohort default rate.

Borrower 1: There are 4 loans with a date entered repayment within the cohort year. They are reported with a paid through consolidation loan status date of 10-21-2007. The consolidation loans have loan guarantee dates of 10-30-2007 and 06-09-2008. Since the paid through consolidation loan status date of **10-21-2007 is prior to** the loan guarantee date of both consolidation loans, neither consolidation loan is linked to the 4 loans having been paid through consolidation. The underlying loans are processed as if no consolidation loan had occurred and the consolidation loans **are not included** in the cohort default rate.

Borrower 2: There are 13 loans with a date entered repayment within the cohort year. They are reported with a paid through consolidation loan status of 02-05-2008. The consolidation loan has a loan guarantee date of 02-05-2008. Since the paid through consolidation loan status date of **02-05-2008 is on or within the 210 days** after the consolidation loan guarantee date of **02-05-2008**, the consolidation loan is linked to the underlying loans. Since the consolidation occurred before the end of the Cohort Period, the consolidation loan **is included** in the cohort default rate.

DATA CORRECTIONS

Under Section 430(e) of the HEA, lenders, holders, and guaranty agencies are allowed the opportunity to correct cohort default rate information. The Department calculates cohort default rates based on data submitted to NSLDS by guaranty agencies. The Department selects certain relevant fields from NSLDS, compiles the data by borrower and lender code, and then performs the calculations necessary to determine the cohort default rate.

Although a student's loan records may be included in both the Federal Stafford and Federal SLS data because he or she had both Federal Stafford and Federal SLS loans from the same lender or holder entering repayment in the same fiscal year, the student is only counted once in the cohort default rate calculation. Likewise, if there are multiple loan records for the student for one of the loan programs, the student is still counted only once. If a student borrowed from more than one lender, he or she is counted in the calculation for each lender. You should note that for the two-year calculation the data reflects the status of loans through September 30 of the year following the cohort year. Thus, data for the FY 2010 cohort year reflects the status of loans only through September 30, 2011. For the three-year calculation the data reflects the status of loans through September 30 of the second year following the cohort year the borrower entered repayment. Thus, data for the FY 2009 three-year cohort reflects the status of loans only through September 30, 2011.

If an originating lender or current holder believes that the cohort default rate was calculated based on erroneous data, the lender or holder should contact the guaranty agency (GA). If the lender discovers discrepancies between the information in the lender records and the data provided to the Department by the guaranty agencies, the lender should try to resolve the problem with the guaranty agency that submitted the data to the Department. The lender should submit to the guaranty agency all the relevant documentation supporting its contention that the data relating to a particular loan are incorrect and should be changed. The guaranty agency will review the documentation that the lender submits and determine whether it believes the data to be erroneous, then the GA will notify the Department in writing. Operations Performance Division, Default Coordination Team will review the data provided by the GA and make a final determination on whether the data provided is incorrect. If the correction is approved by the Department, the guaranty agency will be notified and will make the appropriate changes in the default rate information provided to NSLDS.

The process for data correction is as follows:

1. Lenders or holders are urged to promptly request back-up data (loan record detail report) from the NSLDS web site at <http://www.nslsdfap.ed.gov> if they believe their cohort default rates were calculated on the basis of incorrect data. (Back-up data is an extract of the loan records that formed the basis for calculating your lender or holder cohort default rate.)
2. After reviewing the back-up data, the lender or holder should submit the appropriate documentation to the guaranty agency in support of its contention that the data is incorrect. Such documentation should include the borrower's name, social security

number, and the nature of the error in each case. Supporting documentation could include copies of the guarantor's notice of a change on the Student Status Confirmation Report, canceled checks, or copies of other pertinent information. To ensure timely processing of the request, borrowers should be listed in social security number order. A lender or holder should identify the cohort year to which the corrections apply. All requests to the guaranty agency for a correction should be signed by an official of the lender or holder who is authorized to act on its behalf in this regard.

3. The guaranty agency should analyze a lender's or holder's request for data correction and determine whether it will agree with or deny the request for a correction.
4. When the guaranty agency has completed its analysis of the request for data correction, the lender or holder must be notified of the guaranty agency's conclusions. A copy of the letter from the guaranty agency agreeing with or denying the data correction must be sent to the Default Coordination Team at the address listed below.

U.S. Department of Education
Operations Performance Division, Business Operations
Union Center Plaza, 11th Floor
400 Maryland Avenue, S.W.
Washington, D.C. 20202-5138
ATTN: Default Coordination Team

What is a data correction?

After the release of the official cohort default rates, (the Department) provides guaranty agencies and lenders an opportunity to review the original data. Guaranty agencies must submit incorrect data to the Department for corrections. Lenders must submit incorrect data to the guaranty agency for corrections. The process of correcting data is called a “data correction.”

Can guaranty agencies or lenders submit a data correction?

Any guaranty agency or lender that receives an official cohort default rate is provided the opportunity to correct its most recent official cohort default rate. Correcting official cohort default rate data enables a guaranty agency or lender to request a correction to what it believes to be inaccurate data contained in the guaranty agency's or lender's loan record detail report for the official cohort default rates.

What type of allegations may a guaranty agency or lender submit as a data correction?

Data Conflicts – Data conflicts occur when a Guaranty Agency is not able to report on a loan because of a data/identifier conflict with another loan already reported to (NSLDS). Guaranty agencies and lenders should ensure that the correct data is reported to NSLDS prior to the official cohort default rate calculation. Data used to calculate the draft cohort default rate, may be used

during review for accuracy. Therefore, if there are any changes or updates to the data that support the cohort default rate, the changes will be completed before the official rates are calculated.

What benefit will a guaranty agency or lender gain from submitting a data correction?

If it is determined that the official cohort default rate data submitted by the guaranty agency or lender is inaccurate, the guaranty agency or lender official cohort default rate should reflect the change. The change to the data may lower, raise, or not affect the cohort default rate.

How does a guaranty agency submit a data correction?

Timing is critical when submitting a data correction. In order to submit a data correction, the guaranty agency must review the loan record detail report for the official cohort default rates to determine if the loan record detail report contains any inaccurate data. If the guaranty agency believes the loan record detail report contains inaccurate data, it should submit a data correction listing of the guaranty agency's incorrect data allegations to Operations Performance Division with the inaccurate data. The guaranty agency must submit the data correction within 45 calendar days of the publication of the official rate.

The guaranty agency must list separate data correction allegations for each loan record that the guaranty agency believes contains inaccurate data.

How does a lender submit a data correction?

Timing is critical when submitting a data correction. In order to submit a data correction, a lender must review the loan record detail report for the official cohort default rates to determine if the loan record detail report contains any inaccurate data. If the lender believes the loan record detail report contains inaccurate data, it should submit a data correction listing to the guaranty agency with their incorrect data allegations. The lender must submit the data correction within 30 calendar days of the publication of the official rate to the guaranty agency. The guaranty agency has 15 calendar days to review the lender's incorrect data submission and make the determination on whether the data provided is incorrect. The guaranty agency must notify the lender and the Department, in writing, of its conclusions.

A lender must list separate data correction allegations for each loan record that the lender believes contains inaccurate data.

The data correction must include the following items:

- ❖ **A completed incorrect data correction spreadsheet that lists the inaccurate data reflected on the loan record detail report.**

Figure 1 below is a sample guaranty agency data correction spreadsheet to Business Operations. Figure 2 below is a sample lender data correction spreadsheet to the guaranty agency.

**Figure 1 - Sample Guaranty Agency Data Correction
Spreadsheet to Business Operations**

Cohort FY: 2010
 From: Coralville Agency
 Code: 123
 To: Business Operations

Number of Borrowers: 1
 Number of Loans: 2

	A	B	C	D	E	D	E
1	Borrower's SSN	Borrower's Name	Type of Loans	Date of Guaranty	Indicator of Separate Loan	Original OPE ID	Comments
2	123-45-6789	Smith, Bill	SF				
3	234-56-7890	Jones, Mary	SU				
4	345-67-8901	Brown, James	SF				
5							

Date 10/14/2012

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**Figure 2 - Sample Lender Data Correction
Spreadsheet to the Guaranty Agency**

Cohort FY: 2010
 From: Bank of Coralville
 Code: 123456
 To: Guaranty Agency
 Code: 123

Number of Borrowers: 1
 Number of Loans: 2

	A	B	C	D	E	D	E
1	Borrower's SSN	Borrower's Name	Type of Loans	Date of Guaranty	Indicator of Separate Loan	Original OPE ID	Comments
2	123-45-6789	Smith, Bill	SF				
3	234-56-7890	Jones, Mary	SU				
4	345-67-8901	Brown, James	SF				
5							

Date 10/14/2012

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- ❖ **Copies of the appropriate pages from the loan record detail report(s).**
- ❖ **Copies of relevant supporting documentation.**
- ❖ **A letter on the guaranty agency or lender's letterhead.**

The letter must include the guaranty agency code, a statement indicating that the lender is submitting a data correction, and the cohort fiscal year to which the data correction applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year

being used in the data correction] Data Correction.” The letter must include a certification that the information provided is true and correct under penalty of perjury. The lender’s President/CEO/Owner and a guaranty agency’s President/Director/CEO must sign the letter, and a signature block showing the signer’s name and job title must follow the signature.

Figure 3 (page 17) is a sample guaranty agency data correction letter to a data manager.

Figure 4 (page 18) is a sample lender data correction letter to a data manager.

**Figure 3 - Sample Guaranty Agency Data Correction
Letter to the Business Operations**

Coralville Agency
9765 Arts Lane
Coral City, Iowa 12345-9765
1-234-56-7890

October 14, 2012

U.S. Department of Education
Business Operations, Operations Performance Division
Union Center Plaza, 11th Floor
400 Maryland Avenue, SW
Washington, DC 20202-5138
ATTN: Default Coordination Team

GA Code 123

Subject: Cohort FY 2010 Data Correction

Dear :

Coralville Agency, GA Code 123 is challenging the cohort FY 2010 official cohort default rate data found in our loan record detail report for the official cohort default rates. Please see the enclosed spreadsheet, pages from the loan record detail report for the official cohort default rates, and supporting documentation.

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,

Name
President, Coralville Agency

Enclosures

**Figure 4 - Sample Lender Data Correction
Letter to the Guaranty Agency**

Bank of Coralville
9745 Arts Lane
Coral City, Iowa 12345-6789
1-234-56-7890

October 14, 2012

OPE ID 123456

Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 3212-0132

Subject: Cohort FY 2010 Data Correction

Dear Compliance Officer:

Bank of Coralville, OPE ID 123456, is challenging the cohort FY 2010 official cohort default rate data found in our loan record detail report for the official cohort default rates. Please see the enclosed spreadsheet, pages from the loan record detail report for the official cohort default rates, and supporting documentation.

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,

Name
President, Bank of Coralville

Enclosures

The Department recommends that a guaranty agency or lender send all data corrections correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a guaranty agency or lender if it is asked to authenticate the timeliness of its data correction. A guaranty agency or lender should maintain the documentation that verifies the receipt of the data corrections as well as all electronic and hardcopy documentation submitted as a part of the data correction process. If a guaranty agency does not meet the 45 calendar-day

time frame for submitting a data correction, the data correction will not be reviewed. If a lender does not meet the 30 calendar-day time frames for submitting a data correction, the data correction will not be reviewed.

- ❖ **The guaranty agency should determine if its documentation supports or refutes each of the data correction allegations listed on the lender's spreadsheet.**

If the guaranty agency agrees with the lender's data correction allegations that a change should be made, it must correct the data in its internal data system and in NSLDS.

The guaranty agency must provide supporting documentation if the guaranty agency disagrees with the lender's data correction allegations. The guaranty agency's response must include the following:

- ❖ **A spreadsheet of the lender's responses to the guaranty agency list of alleged errors.**
- ❖ **Copies of supporting documentation for each incorrect data correction allegation.**
- ❖ **A letter on the lender's letterhead with the guaranty agency or lender's name and OPE ID number.**

The letter must indicate that the guaranty agency is responding to the lender's data correction and state the cohort fiscal year to which the response applies. The letter must feature a subject line that reads "Subject: Cohort FY 2010 Incorrect Data Correction Response." The letter must include a statement that a copy of the response has been sent to Operations Performance Divisions, Default Coordination Team. The responsible guaranty agency official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

The guaranty agency sends its response to the lender and a copy of the response to, Business Operations, Operations Performance Division, Default Coordination Team.

What does Operations Performance Division (OPD) do with a guaranty agency data correction request?

Business Operations, Operations Performance Division, Default Coordination Team will review the guaranty agency's data correction request and determine whether it will agree with or deny the request for correction. OPD will notify the guaranty agency of its conclusions upon completion of its analysis of the GA's request for data correction. A copy of the letter from OPD, Default Coordination Team agreeing or denying the data correction will be sent to the guaranty agency.

INFORMATION ABOUT BACK-UP DATA PRINTOUTS

How to Read Back-Up Data Printout

Back-up data, called the "Loan Record Detail Report" (LRDR), is an extract of the loan records that forms the basis for calculating your lender or guaranty agency cohort default rate.

In your loan record detail report you will find general information, including the name of the lender or guaranty agency, the corresponding ID code, the cohort year covered, and the rate calculation date.

The report can be requested on the NSLDS Professional Access web site at www.nslsdfap.ed.gov. The Loan Record Detail Report record layouts are located on the IFAP iLibrary under NSLDS Reference Materials, NSLDS Record Layouts.

The link for GA LRDR layout for the DRC040 report is <http://www.ifap.ed.gov/nslsdsmaterials/020411NSLDSGACohortDefaultRateHistoryReportDRC040.html>

The link for the Lender LRDR layout for the DRC045 report is <http://www.ifap.ed.gov/nslsdsmaterials/020411NSLDSLenderCohortDefaultRateHistoryReportDRC045.html>

NOTE: Information on how to retrieve the loan record detail report, including screen shots, is provided in the updated section of the Guaranty agency or lender Cohort Default Rate Guide in Chapter 2.6 "General Information Tools" which is available only via download from the web site.

Privacy Act Notice

Back-up data contains material of private nature. The use of this material is covered by the U.S. Privacy Act and may also be governed by State and local laws and regulations, as well as by your own policies. You should take appropriate steps to safeguard this material and ensure that it is used and disposed of appropriately.

APPENDIX A

Department of Education Contact List

For technical data processing questions regarding the calculation of the default rates, contact:

U.S. Department of Education
NSLDS Customer Support Center
(800) 999-8219
<http://www.nslsdfap.ed.gov>

For copies of regulations, Dear Colleague Letters, and other student aid publications, contact:

U.S. Department of Education
Student Aid Information Center
P.O. Box 84
Washington, D.C. 20044-0084
(800) 433-3243
<http://www.ifap.ed.gov> or
www.fp.ed.gov

For other questions on lender, holder, or guaranty agency default rates, contact:

U.S. Department of Education
Default Coordination Team
Operations Performance Division, Business Operations
Union Center Plaza, 11th Floor
400 Maryland Avenue, S.W.
Washington, D.C. 20202-5138
(202) 377-3053
<http://www2.ed.gov/offices/OSFAP/defaultmanagement/lga.html>

To resolve errors in your lender (or holder) back-up data (loan record detail report), contact the guaranty agency that reported the data to the Department. A list of the guaranty agencies and their addresses is included on Page 22, "Guaranty Agency List".

For information on school cohort default rates, contact:

U.S. Department of Education
Default Management Division
Operations Performance Division
Union Center Plaza 084F
400 Maryland Avenue, S.W.
Washington, D.C. 20202-5353
(202) 377-4258
<http://www2.ed/offices/OSFAP/defaultmanagement/cdr.html>

APPENDIX B

Guaranty Agency List

This section lists the names, addresses, and other identifying information of the guaranty agencies. The address may be used to contact guaranty agencies to resolve discrepancies in backup data. However, do not use this address if a guaranty agency has provided you with a different address or addressee.

Each agency is listed in alphabetical order by the name of the state in which it is the primary guarantor. The three-digit guaranty agency code listed in parentheses for each agency is the coding system used by the Department to identify each guaranty agency.

The Higher Education Assistance Foundation (HEAF) ceased operations on December 31, 1993. In preparation for the closing, HEAF transferred its remaining guarantees on loans not in default to other guaranty agencies. Affected lenders were notified of the guaranty agency now holding their student loan guarantees which were originally issued by HEAF. The new guaranty agency will be reported on the back-up data. The Department possesses the records on defaulted loans on which HEAF paid default claims to lenders. The Educational Credit Management Corporation (ECMC), (formally the Transitional Guaranty Agency (TGA)), processes records relating to a small number of loans guaranteed by HEAF that were not transferred to other agencies and for loans guaranteed by HEAF that were paid as or subsequently became Chapter 13 bankruptcy claims. ECMC also holds and services Chapter 13 default bankruptcies for numerous guaranty agencies that, on a voluntary basis, transfer these portfolios to ECMC.

The Puerto Rico Higher Education Assistance Corporation (PRHEAC) ceased operations on April 15, 1994 and all guarantees were transferred to the Great Lakes Higher Education Corporation (GLHEC). GLHEC will hold all defaulted loans and related records previously held by PRHEAC. **NOTE: If your organization is correcting its default rates based on erroneous data, the possible errors must be identified to Great Lakes.**

The Mississippi Guaranty Student Loan Agency (MGSLA) ceased operations on September 30, 1994 and all guarantees were transferred to the United Student Aid Funds, Inc. (USAF). USAF will hold all defaulted loans and related records previously held by MGSLA. **NOTE: If your organization is correcting its default rates based on erroneous data, the possible errors must be identified to USAF.**

The Student Loan Fund of Idaho, Inc. (SLFI) has been replaced (July 1, 1994) by the Northwest Education Loan Association (NELA) as the designated guarantor. **NOTE: If your organization is correcting its default rates based on erroneous data, the possible errors must be identified to SLFI.**

The State Student Assistance Commission of Indiana (SSAC) ceased guarantor operations on July 31, 1995 and all guarantees were transferred to United Student Aid Funds (USAF). USAF holds all defaulted loans and related records previously owned by SSAC. **NOTE: If your**

organization is correcting its default rate based on erroneous data, you must notify USAF of the possible errors.

The Maryland Higher Education Loan Corporation (MHELC) ceased guarantor operations on June 30, 1995 and all guarantees were transferred to United Student Aid Funds (USAF). USAF holds all defaulted loans and related records previously owned by MHELC. **NOTE: If your organization is correcting its default rate based on erroneous data, you must notify USAF of the possible errors.**

The Delaware Higher Education Loan Program (DHELP) ceased guarantor operations on April 24, 1996 and all guarantees were transferred to Pennsylvania Higher Education Assistance Agency (PHEAA). PHEAA will hold all defaulted loans and related records previously held by DHELP. **NOTE: If your organization is correcting its default rate based on erroneous data, you must notify PHEAA of the possible errors.**

The State Education Assistance Authority (SEAA) in Virginia has been replaced (July 1, 1996) by the Educational Credit Management Corporation (ECMC) as the designated guarantor. **NOTE: If your organization is correcting its default rate based on erroneous data, you must notify ECMC of the possible errors.**

The Ohio Student Aid Commission (OSAC) ceased guarantor operations effective August 1, 1996 and all guarantees were transferred to Great Lakes Higher Education Corporation (GLHEC). GLHEC will hold all defaulted loans and related records previously held by OSAC. **NOTE: If your organization is correcting its default rate based on erroneous data, you must notify GLHEC of the possible errors.**

The Alabama Commission of Higher Education (ACHE) ceased operations in December 1996 and all guarantees have been transferred to Kentucky Higher Education Assistance Authority (KHEAA) as of June 1996. KHEAA will hold all defaulted loans and related records previously held by ACHE. **NOTE: If your organization is correcting its default rate based on erroneous data, you must notify KHEAA of the possible errors.**

Northstar Guarantee Incorporated ceased operations in December 1997 and all guarantees were transferred to Great Lakes Higher Education Corporation (GLHEC). GLHEC holds all defaulted loans and related records previously held by Northstar. **NOTE: If your organization is correcting its default rate based on erroneous data, you must notify GLHEC of the possible errors.**

The Oregon State Scholarship Commission (OSAC) ceased operations on December 31, 2004 and all guarantees were transferred to the Educational Credit Management Corporation (ECMC). ECMC will hold all defaulted loans and related records previously held by OSAC. **NOTE: If your organization is correcting its default rates based on erroneous data, you must notify ECMC of the possible errors.**

The Education Assistance Corporation ceased operations on September 2009 and all guarantees were transferred to the Great Lakes Higher Education Corporation (GLHEC). GLHEC will hold

all defaulted loans and related records previously held by EAC. **NOTE: If your organization is correcting its default rate based on erroneous data, you must notify GLHEC of the possible errors.**

The Connecticut Student Loan Foundation operation ceased operations on December 2009 and all guarantees were transferred to the Educational Credit Management Corporation (ECMC). ECMC will hold all defaulted loans and related records previously held by CSLF. **NOTE: If your organization is correcting its default rate based on erroneous data, you must notify GLHEC of the possible errors.**

The California Student Aid Commission operation ceased operations on November 2010 and all guarantees were transferred to the Educational Credit Management Corporation (ECMC). ECMC will hold all defaulted loans and related records previously held by CSAC. **NOTE: If your organization is correcting its default rate based on erroneous data, you must notify ECMC of the possible errors.**

Alabama, AL (701)

SEE Kentucky

Alaska, AK (702)

SEE United Student Aid Funds, Inc.

Arizona, AZ (804)

SEE United Student Aid Funds, Inc.

Arkansas, AR (705)

Student Loan Guarantee Foundation of Arkansas
219 South Victory
Little Rock, AR 72201-1884
(501) 372-1491

California, CA (706)

SEE Education Credit Management Corporation (ECMC)

Colorado, CO (708)

COLLEGEINVEST
1801 Broadway
Suite 1300
Denver, CO 80202-3841
(303) 305-3000

Connecticut, CT (709)

SEE Educational Credit Management Corporation (ECMC)

Delaware, DE (710)

SEE Pennsylvania

District of Columbia, DC (611)

SEE Massachusetts

Educational Credit Management Corporation (ECMC) (927/951)

(Formerly the Transitional Guaranty Agency (TGA))

American National Bank Building
101 East 5th Street, Suite 200
St. Paul, MN 55101
(651) 221-0566

Florida, FL (712)

State of Florida, Department of Education
Office of Student Financial Assistance
325 West Gaines Street
Suite 1314
Tallahassee, FL 32399-0400
(850) 410-5200

Georgia, GA (713)

Georgia Higher Education Assistance Corporation
2082 East Exchange Place, Suite 200
Tucker, GA 30084
(770) 724-9132

Hawaii, HI (815)

SEE United Student Aid Funds, Inc.

Idaho, ID (716)

SEE Northwest Education Loan Association

Illinois, IL (717)

Illinois Student Assistance Commission
500 West Monroe Street
Springfield, IL 60015
(847) 948-8500

Indiana, IN (718)

SEE United Student Aid Funds, Inc.

Iowa, IA (719)

Iowa College Student Aid Commission
603 East 12th Street, Fifth Floor
Des Moines, IA 50319-3609
(515) 242-3344

Kansas, KS (620)

SEE United Student Aid Funds, Inc.

Kentucky, KY (721)

Kentucky Higher Education Assistance Authority
100 Airport Road
Frankfort, KY 40601-4323
(502) 696-7200

Louisiana, LA (722)

Louisiana Office of Student Financial Assistance
602 North Fifth Street
Baton Rouge, LA 70802-5312
(225) 922-1012, 1 800-259-0790

Maine, ME (723)

Maine Education Assistance Division
Finance Authority of Maine
5 Community Drive
Augusta, ME 04332-0949
(207) 623-3263

Maryland, MD (724)

SEE United Student Aid Funds, Inc.

Massachusetts, MA (725)

American Student Assistance
100 Cambridge Street
Boston, MA 02116-5292
(800) 999-9080

Michigan, MI (726)

Michigan Higher Education Assistance Authority
P.O. Box 30047
Lansing, MI 48933
(800) 642-5626

Minnesota, MN (727)

SEE Wisconsin

Mississippi, MS (728)

SEE United Student Aid Funds, Inc.

Missouri, MO (729)

Coordinating Board for Higher Education
3515 Amazonas Drive
Jefferson City, MO 65109-5717
(573) 751-2361

Montana, MT (730)

Montana Guaranteed Student Loan Program
2500 Broadway
Helena, MT 59601-4989
(406) 444-6594

Nebraska, NE (731)

Nebraska Student Loan Program
1300 O Street
Lincoln, NE 68508-1511
(402) 475-8686

Nevada, NV (732)

SEE United Student Aid Funds, Inc.

New Hampshire, NH (733)

New Hampshire Higher Education Assistance Foundation
4 Barrell Court
Concord, NH 03301
(603) 225-6612

New Jersey, NJ (734)

New Jersey Higher Education Assistance Authority
Guaranteed Student Loan Program
4 Quakerbridge Plaza
P.O. Box 540
Trenton, NJ 08625-0540
(800) 792-8670

New Mexico, NM (735)

New Mexico Student Loan Guarantee Corporation
7400 Tiburon NE
Albuquerque, NM 87109-2230
(505) 345-3371

New York, NY (736)

New York State Higher Education Services Corporation
99 Washington Avenue, Twin Towers
Albany, NY 12255
(518) 473-7087

North Carolina, NC (737)

North Carolina State Education Assistance Authority
10 Alexander Drive
Research Triangle Park, NC 27709
(919) 549-8614

North Dakota, ND (738)

Student Loans of North Dakota
North Dakota Guaranteed Student Loan Program
P.O. Box 5524, 700 E. Main Avenue
Bismarck, ND 58501-5524
(701) 328-5754

Ohio, OH (739)

SEE Wisconsin

Oklahoma, OK (740)

Oklahoma State Regents for Higher Education
Guaranteed Student Loan Program
421 North West 13th Street
Oklahoma City, OK 73103-3000
(405) 234-4300

Oregon, OR (741)

SEE Educational Credit Management Corporation

Pennsylvania, PA (742)

Pennsylvania Higher Education Assistance Agency
1200 N. 7th Street
Towne House
Harrisburg, PA 17102-1444
(717) 720-2860

Puerto Rico, PR (772)

SEE Wisconsin

Rhode Island, RI (744)

Rhode Island Higher Education Assistance Authority
560 Jefferson Boulevard
Warwick, RI 02886-1320
(401) 736-1100

South Carolina, SC (745)

South Carolina State Education Assistance Authority
16 Berry Hill Road
William Mackey Interstate Center
Suite 212
Columbia, SC 29210
(803) 798-0916

South Dakota, SD (746)

SEE Wisconsin

Tennessee, TN (747)

Tennessee Student Assistance Corporation
Parkway Towers, Suite 1950
404 James Robertson Parkway
Nashville, TN 37243-0820
(615) 741-1346

Texas, TX (748)

Texas Guaranteed Student Loan Corporation
301 Sundance Parkway
Round Rock, TX 78681-8004
(512) 219-5700

United Student Aid Funds, Inc. (USAF) (800)

United Student Aid Funds, Inc.
9998 Crosspoint Boulevard
Suite 400
Indianapolis, IN 46256-3307
(317) 806-1210

Utah, UT (749)

Utah Higher Education Assistance Authority
Board of Regent Bldg., The Gateway
60 South 400 West
5th Floor
Salt Lake City, UT 84101-1284
(801) 321-7200

Vermont, VT (750)

Vermont Student Assistance Corporation
10 East Allen Street
Winooski, VT 05404-2601
(802) 655-9602

Virgin Islands, VI (778)

SEE Wisconsin

Virginia, VA (751)

SEE Educational Credit Management Corporation
Washington, WA (753)

Northwest Education Loan Association
309 23rd Avenue South
Seattle, WA 98144
(206) 461-5300

West Virginia, WV (654)

SEE Pennsylvania

Wisconsin, WI (755)

Great Lakes Higher Education Corporation
2401 International Lane
Madison, WI 53704
(608) 246-1800

Wyoming, WY (656)

SEE United Student Aid Funds, Inc.