

Cohort Default Rate  
Guide for  
Guaranty Agencies & Lenders



Fiscal Year 2001

U.S. Department of Education  
Financial Partners

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## INTRODUCTION

This guide contains information about the publication of the Fiscal Year (FY) 2001 cohort default rates 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 (Department) is required to publish a list of the cohort default rates of lenders, subsequent holders, and guaranty agencies participating 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.

The term **cohort default rate**<sup>1</sup>, 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.

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 FY 2001 cohort default rates will be calculated based on data electronically reported to the National Student Loan Data System (NSLDS) by the guaranty agencies. Subsidized Federal Stafford, Unsubsidized Federal Stafford, Federal Supplemental Loan for Students<sup>2</sup> (Federal SLS), and Federal Consolidation Loans that repaid Federal Stafford or Federal SLS loans will be included in the calculation of cohort default rates. The NSLDS data submitted by the guaranty agencies were prepared according to procedures developed by the Department and reflect activity on the loans through September 30, 2002. Since the FY 2001 cohort default rates were calculated based on data supplied to the Department by the guaranty agencies, a lender or holder should address any initial questions on data to these agencies.

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<sup>1</sup> The cohort default rate is defined in Section 435(m) of the HEA.

<sup>2</sup> 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.

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 were transferred from one guaranty agency to another prior to submission of the NSLDS data to the Department are included in the NSLDS data submitted by the receiving agency, but are not included in the NSLDS data submitted by the transferring agency. For example, if a loan was originally guaranteed by the Higher Education Assistance Foundation (HEAF) and was transferred to the Great Lakes Higher Education Corporation (Great Lakes), that loan was reported by Great Lakes.

**The formula for calculating the FY 2001 cohort default rate is:**

$$100 X \frac{\text{\# of students who entered repayment on their loans in FY 2001 and defaulted in FY 2001 or FY 2002 (Numerator)}}{\text{\# of students who entered repayment on their loans in FY 2001 (Denominator)}}$$

Example:

A lender has made loans to 100 students entering repayment in FY 2001 (October 1, 2000 through September 30, 2001). Of those 100 students, 25 defaulted on their student loans prior to October 1, 2002 and had a default claim paid by the guaranty agency. This lender's FY 2001 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 is determined by counting the number of **different social security numbers** in that category. If a student had 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 2001 and a default claim was paid by the guaranty agency during that fiscal year or the subsequent fiscal year ending 9/30/2002, 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.

Loans that are discharged due to death, total and permanent disability, or bankruptcy are not counted in the numerator when calculating the FY 2001 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 electronically submitted to NSLDS by a guaranty agency and is accepted for calculation purposes, the Department continues to update data on a monthly basis during the period in which the rates calculated for that year are in effect. Technical data processing questions relating to the calculation of default rates, which cannot be answered by the guaranty agency, should be directed to the Department's NSLDS Customer Service Hotline at (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 page 5. For information about back-up data printouts go to page 7.

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 page 8.

Other questions on lender, holder, or guaranty agency default rates may be referred to the Default Coordination Team, Financial Partners, the address is listed on page 4.

## **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 Service 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](http://www.fp.ed.gov)

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

U.S. Department of Education  
Default Coordination Team  
Financial Partners, Partner Services  
Union Center Plaza, 11<sup>th</sup> Floor  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202-5138  
(202) 377-3053  
<http://www.fp.ed.gov>

**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 8, "Guaranty Agency List".**

**For information on school cohort default rates, contact:**

U.S. Department of Education  
Default Management Division  
Union Center Plaza 084F  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202-5353  
(202) 377-4258  
[http://www.ifap.ed.gov/csb\\_html/newdefault.htm](http://www.ifap.ed.gov/csb_html/newdefault.htm)

## Correcting Cohort Default Rates

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 electronically submitted to NSLDS by guaranty agencies. The NSLDS data reflects loan activity as of September 30 of each year. The Department selects certain relevant fields from NSLDS, compiles the data by borrower identification (the student's social security number) 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 the data reflects the status of loans through September 30 of the year following the cohort year. Thus, data for the FY 2001 cohort year reflects the status of loans only through September 30, 2002. Changes after that date, including a student's present loan status, have no bearing on the cohort default rate calculation.

If you are an originating lender or holder and believe that the cohort default rate was calculated based on erroneous data, contact the guaranty agency. If you discover discrepancies between the information in your records and the data provided to the Department by the guaranty agencies, you should try to resolve the problem with the guaranty agency that submitted the data to the Department. You should submit to the guaranty agency all the relevant documentation supporting your contention that the data relating to a particular loan are incorrect and should be changed. The guaranty agency will review the documentation you submit and determine whether it agrees that the data are incorrect. The guaranty agency will notify you and the Department, in writing, of its conclusions. The Department will make the final decision as to whether the data should be corrected based on its review of the information provided by you and the guaranty agency. 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 are 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 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. After receiving the agency's response, the lender should inform the Department, in writing, whether it agrees with the agency or believes that the agency is wrong. Based on these submissions, the Department will make the final decision on the requested data correction and will notify the appropriate lender or holder and guaranty agency of its determination.

U.S. Department of Education  
Financial Partners, Partner Services  
Union Center Plaza, 11<sup>th</sup> Floor  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202-5138  
ATTN: Default Coordination Team

## **Information About Back-Up Data Printouts**

### **How to Read Back-Up Data Printout**

A back-up data printout, called a "Loan Record Detail Report," 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.

Information on how to find the NSLDS web site, loan record detail report and downloading instructions can be found at the following web sites: <http://sfa4schools.sfa.ed.gov> or <http://www.ifap.ed.gov>. NOTE: Information on how to retrieve the loan record detail report, including screen shots, is provided in the updated section of the School Cohort Default Rate Guide in Chapter 2.6 "General Information Tools" which is available only via download from the web site.

The back-up data is sorted by borrower social security number. The data field descriptions for the back-up data can be found on the first two lines at the top of each page of back-up data--one right below the other. To locate specific loan information for a particular borrower, make sure you read the line of the loan record that corresponds with the data field description line.

### **Privacy Act Notice**

Back-up data contains the social security numbers and names of students. It 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.

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. However, SLFI has not yet transferred defaulted loans and related records to NELA.

**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 challenging 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 challenging 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 challenging 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 challenging 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 challenging 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 challenging 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 challenging its default rate based on erroneous data, you must notify GLHEC 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)**

California Student Aid Commission/Edfund  
10834 International Drive  
Rancho Cordova, CA 95670  
(916) 526-7900

**Colorado, CO (708)**

Colorado Student Loan Program  
One Denver Place  
999 18th Street, Suite 425  
Denver, CO 80202-2471  
(303) 305-3000

**Connecticut, CT (709)**

Connecticut Student Loan Foundation  
525 Brook Street  
Rocky Hill, CT 06067  
(860) 257-4001

**Delaware, DE (710)**

SEE Pennsylvania

**District of Columbia, DC (611)**

See Massachusetts

**Educational Credit Management Corporation (ECMC) (927)**

(Formerly the Transitional Guaranty Agency (TGA))

American National Bank Building  
101 East 5th Street, Suite 2400  
St. Paul, MN 55101  
(651) 221-0566

**Florida, FL (712)**

State of Florida, Department of Education  
Office of Student Financial Assistance  
Turlington Building  
1940 North Monroe Street  
Suite 70  
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)**

Student Loan Fund of Idaho, Inc.  
190 Queen Anne Avenue North  
Suite 300  
Seattle, WA 98109  
(206) 461-5300

**Illinois, IL (717)**

Illinois Student Assistance Commission  
1755 Lake Cook Road  
Deerfield, IL 60015  
(847) 948-8500

**Indiana, IN (718)**

SEE United Student Aid Funds, Inc.

**Iowa, IA (719)**

Iowa College Student Aid Commission  
200 10th Street  
Fourth Floor  
Des Moines, IA 50309-3609  
(515) 242-3344

**Kansas, KS (620)**

SEE United Student Aid Funds, Inc.

**Kentucky, KY (721)**

Kentucky Higher Education Assistance Authority  
1050 U.S. 127 South  
Suite 102  
Frankfort, KY 40601-4323  
(502) 696-7200

**Louisiana, LA (722)**

Louisiana Office of Student Financial Assistance  
1885 Wooddale Blvd., Suite 324  
Baton Rouge, LA 70821-9202  
(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  
330 Stuart Street, Berkeley Place  
Boston, MA 02116-5292  
(800) 999-9080

**Michigan, MI (726)**

Michigan Higher Education Assistance Authority  
Hannah Building  
1<sup>st</sup> Floor  
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  
3900 Osuna, N.E.  
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  
715 East Broadway  
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 13<sup>th</sup> Street  
Oklahoma City, OK 73103-3000  
(405) 234-4300

**Oregon, OR (741)**

Oregon State Scholarship Commission  
1500 Valley River Drive  
Suite 100  
Eugene, OR 97401  
(541) 687-7400

**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  
Interstate Center  
15 Berry Hill Road  
Suite 210  
Columbia, SC 29210  
(803) 798-0916

**South Dakota, SD (746)**

Education Assistance Corporation  
115 First Avenue, S.W.  
Aberdeen, SD 57401  
(605) 622-6423

**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  
Tower of the Hill  
13809 N. Highway 183  
Suite 100  
Austin, TX 78750-1250  
(512) 219-5700

**Transitional Guaranty Agency (927)**

SEE Educational Credit Management Corporation

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

United Student Aid Funds, Inc.  
10475 Crosspoint Boulevard  
Suite 230  
Indianapolis, IN 46256-3323  
(317) 806-1210

**Utah, UT (749)**

Utah Higher Education Assistance Authority  
60 South 400 West  
5<sup>th</sup> Floor  
Salt Lake City, UT 84101-1284  
(801) 321-7200

**Vermont, VT (750)**

Vermont Student Assistance Corporation  
One Main 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  
190 Queen Anne Avenue, North  
Suite 300  
Seattle, WA 98109  
(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.

## Commonly Asked Questions

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

- 1) website address [http://www.ifap.ed.gov/csb\\_html/newdefault.htm](http://www.ifap.ed.gov/csb_html/newdefault.htm)
- 2) contact Financial Partners, Default Coordination Team at (202) 377-3053.

### **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 cohort default rate is described below.

$$100 \times \frac{\begin{array}{c} \# \text{ of students who entered repayment in FY 2001 and} \\ \text{defaulted on or before the end of FY 2002} \\ \text{(Numerator)} \end{array}}{\begin{array}{c} \# \text{ of students who entered repayment in FY 2001} \\ \text{(Denominator)} \end{array}}$$

Example:

A lender has made 100 loans to students entering repayment in FY 2001 (October 1, 2000 through September 30, 2001). Of those 100 students, 25 defaulted on their student loans prior to October 1, 2002 and had a default claim paid by the guaranty agency. This lender's FY 2001 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.

### **When is a loan considered to be in default?**

A loan is considered in default for cohort default rate purposes if a default claim with a claim reason of default on the loan was paid by the guarantor during the cohort period. (Prior to February 2002, claim reasons of closed schools and false certification were included in this definition)

### **Where does the Department obtain the data for calculating these lender, holder and guaranty agency cohort default rates?**

The FY 2001 cohort default rates were calculated based on data electronically 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, 2001.

### **What loans are included in a cohort default rate calculation?**

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 prior to submission of the NSLDS data to the Department are included in the NSLDS data submitted by the receiving agency, but are not included in the NSLDS data submitted by the transferring agency.

### **How is the numerator calculated?**

If a student entered repayment in FY 2001, defaulted on his or her loan, and a default claim was paid by September 30, 2002, the loan continues to be counted as in default in the FY 2001 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 its normal submittal file.

### **How is the denominator calculated?**

The number of students that entered repayment is determined by counting the number of **different social security numbers** in that category. If a student had more than one loan included in the 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, he or she is counted in the calculation for each lender.

### **How are discharged loans counted, e.g., death, disability, or bankruptcy?**

Loans that are discharged due to death, total and permanent disability, or bankruptcy are counted in calculating the FY 2001 cohort default rate as a part of the denominator. Loans that are discharged due to death, disability, or bankruptcy are not counted in calculating the FY 2001 cohort default rate 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.

### **What opportunity will guaranty agencies, lenders, and holders have to correct the data?**

Any originating lender, holder, or guaranty agency will have the opportunity to challenge its cohort default rate if it believes that the data used to calculate the rate are incorrect. To challenge the cohort default rate, the lender or holder must first request the back-up data from the NSLDS web site at <http://www.nslidsfap.ed.gov>. The back-up data is the data that was electronically reported to NSLDS by the guaranty agencies.

After requesting and reviewing the data, a lender or holder may contest its default rate by providing the guaranty agenc(ies) with any relevant documentation to support its contention that the data are incorrect and should be changed. The guaranty agency must review the documentation and determine whether it agrees that the data are incorrect. The 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).

### **What is the process for data corrections for lenders and holders?**

1. Lenders or holders are urged to promptly request back-up data 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. A delay in requesting the back-up data may delay the agency's response.
2. After reviewing the back-up data, the lender or holder should submit the appropriate documentation to the guaranty agenc(ies) in support of its contention that the data are 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. Each guaranty agency should analyze the 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 agenc(ies) has completed its analysis of the request for data correction, the lender or holder must be notified of the agency's conclusions. A copy of the letter from the guaranty agency agreeing with or denying the data correction must be sent to the Department of Education, Financial Partners, Partner Service, Default Coordination Team at the address listed below. After receiving the agency's response, the lender should inform the Department, in writing, whether it agrees with the agency or believes that the agency is wrong. Based on these submissions, the Department will make the final decision on data correction and will notify the appropriate lender or holder and guaranty agency of its determination.

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

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

### **Which loan type codes are included in the calculation of Cohort Default Rates?**

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

Federal Consolidated Loans (CL) are 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 underlying loans will be counted in the numerator for cohort default rate purposes.

### **Which loan status codes are included and excluded from the CDR calculation?**

All Loan Status Codes are included in the Cohort Default Rate Calculation except Abandoned Loans (AL), all uninsured status (UA,UB,UC,UD,and UI, and Cancelled (CA).

### **How can I get a copy of my loan record detail report?**

Log onto the NSLDS Web site at <http://www.nslsdfap.ed.gov> or contact Financial Partners, Partner Services at (202) 377-3053. To retrieve this information from the NSLDS website, log on with your NSLDS user id, go to the report tab, and select Report DRC040 GA Cohort Default Rate History Report. The report is available in report format or extract format, the file layout for an extract can be found at:

<http://ifap.ed.gov/nslsmaterials/attachments/GA200107attachment1.pdf>

If you have questions on getting an NSLDS user id or need information on requesting this report, please call the NSLDS Customer Service Center at 1-800-999-8219.

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

For underlying loans with a status of 'PC', 'PN', or 'DN', the program looks to see if the guaranty date of the consolidation loan was on or before the end of the Cohort Period (2 year window beginning with Cohort Fiscal Year begin date).

If the consolidation loan was made prior to the end of the cohort period, then the underlying loan is counted in the consolidating agencies cohort rate.

Likewise, if the consolidation loan defaults it would also be counted in the consolidating agencies cohort rate.

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 with the lender\_of\_last\_resort flag set to 'Y' in NSLDS are NOT counted in the cohort default rate.

### **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 you 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 loan status of 'PC', 'PN', or 'DN'.
2. The cohort default rate calculation uses the date entered repayment to determine which loans to count in the denominator. Continually moving the date entered repayment can cause a loan to be counted potentially in multiple cohort fiscal year calculations or if the date is incorrect, a loan could be counted in the wrong cohort fiscal year.
3. Many guarantor systems set the date entered repayment based on the 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 grace plus a day. Furthermore, NSLDS does not use the anticipated completion date in its cohort default rate calculation.

4. In cases when the borrowers pay the loan in full while in school or grace, and prior to the end of the loan period, it is important that the date entered repayment be modified 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 unless it is a cancellation.

Note: If the loan is paid in full within 120 days of disbursement, then the loan is cancelled. Cancelled loans do not get 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 counted in the calculation for cohort default rates, it is important that the reason code for these claims be reported as 'DF'.

### **NSLDS Edit Changes**

The following changes have recently been made in how NSLDS edits guarantor submittals.

1. The edits on Amount of Guaranty were changed to use net loan amount (i.e., Amount of Guaranty less Amount of Cancellation). Errors would be generated only if the net loan amount exceeded the amount specified in each edit. The edits would not apply to loans if the Date of Loan Guaranty were before October 1, 1994.

The edits would be revised (*change is in italics*) as follows:

- 650: For SF loans with Academic Level 1-5 *guaranteed on or after October 1, 1994* and not transferred, the Amount of Guaranty *less the Amount of Cancellation* must not exceed \$5,500.
- 651: For SU loans with Academic Level 1-5 *guaranteed on or after October 1, 1994* and not transferred, the Amount of Guaranty *less the Amount of Cancellation* must not exceed \$27,167.
- 669: For SF loans with Academic Level A-N *guaranteed on or after October 1, 1994* and not transferred, the Amount of Guaranty *less the Amount of Cancellation* must not exceed \$8,500.
- 670: For SU loans with Academic Level A-G *guaranteed on or after October 1, 1994* and not transferred, the Amount of Guaranty *less the Amount of Cancellation* must not exceed \$45,167.
- 703: For SF and SU loans transferred or *guaranteed before October 1, 1994*, the Amount of Guaranty must not exceed \$45,167 regardless of Academic Level.

2. The file tolerance edits on collections were changed to 30% (previously 50%) and TOP Offsets to 10% (previously 20%).

3. The edit for loan status IA was changed to allow a later date than the guaranty date if IM is the previous loan status. Note: The current list of valid loan status codes distributed in GA Technical Update 2001-08 already reflects this exception.

**What is the process for data corrections for guaranty agencies?**

The FY 2001 cohort default rates will be calculated based on data electronically reported to NSLDS by the guaranty agencies. The data submitted by the guaranty agencies were prepared according to procedures developed by the Department and reflect activity through September 30, 2002.

If a guaranty agency believes that its cohort default rate is incorrect, it must notify the Department at the address listed below. The guaranty agency will receive instructions on the documentation required by the Department to support its contention that the data are incorrect and should be changed.

U.S. Department of Education  
Financial Partners, Partner Services  
Union Center Plaza, 11<sup>th</sup> Floor  
400 Maryland Avenue, SW  
Washington, D.C. 20202-5138  
ATTN: Default Coordination Team