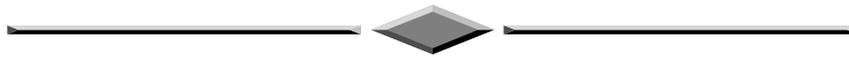


Information for Guaranty Agencies on Challenges



GENERAL INFORMATION

What role does a guaranty agency have in a school's participation rate index challenge?

Guaranty agencies are NOT involved in a school's participation rate index challenge. Schools should submit all participation rate index challenges directly to the U.S. Department of Education (Department).

If a guaranty agency receives a participation rate index challenge from a school, it should **immediately** contact the school to inform the school that the participation rate index challenge must be sent to the Department at the address shown on page 116 of the "Participation Rate Index Challenge" section, and that the challenge must be sent to the Department within **30 calendar days** of the school's receipt of its most recent hardcopy draft cohort default rate data. The guaranty agency should also notify the Department's Default Management Division that it has contacted the school.

Q . Who is responsible for responding to draft data challenges on loans currently maintained by the Department?

A . The **Department's Default Management Division** will respond to a school's allegations regarding **FFEL Program loans currently held by the Department**.

The **Department's Direct Loan servicer** will respond to a school's allegations regarding **Direct Loan Program loans**.

What role does a guaranty agency have in a school's draft data challenge?

A school may write to a guaranty agency to obtain information to challenge the school's draft cohort default rate data. A guaranty agency is required to respond to a school's timely submitted challenge regarding Federal Family Education Loan (FFEL) Program loans for which the agency currently maintains the guaranty.¹ The guaranty agency must provide a copy of its response to the challenge to both the school and the Department within **30 calendar days** of receipt of the school's timely submitted draft data challenge.

In preparing responses to challenges, guaranty agencies should refer to the "Responding to Draft Data Challenges" section beginning on page 128.



Note

Once the guaranty agency responds to a school's timely submitted draft data challenge, the guaranty agency is not required to respond to subsequent challenges submitted by the school if the 45 calendar day time frame to submit such challenges has expired.

What actions should a guaranty agency take when responding to a school's draft data challenge?

The Department recommends that when responding to a school's challenge, a guaranty agency should:

- ◆ **thoroughly review this Guide.** This will ensure that the guaranty agency is aware of all the guidance and requirements associated with the draft data challenge process.
- ◆ **send all correspondence to schools return receipt requested or via commercial overnight mail/courier delivery.** This will be useful to a guaranty agency and the Department in determining whether or not a school received the response.

¹ 34 CFR Section 682.401(b)(15)

- ◆ **maintain copies of documentation verifying the school's receipt of all draft data challenge related material.** This will be useful to a guaranty agency and the Department in determining when the school received the response.
- ◆ **send a copy of any draft data challenge related material mailed to a school to the Department's Default Management Division** using the address on page 125. The Department will use this material to monitor the draft data challenge process.

AND

- ◆ **retain copies of all draft data challenge documents** provided to schools and the Department for a period of five years from the date the school's challenge was reviewed.

What role does the Department have in a school's draft data challenge?

The Department is responsible for responding to a school's draft data challenge if the challenge includes allegations regarding FFEL Program loans currently held by the Department and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans.

- ◆ The **Department's Default Management Division** is responsible for responding to schools' inquiries regarding **FFEL Program loans that are currently held by the Department**. These loans are identified on the loan record detail report with a guarantor/servicer code of **555**.
- ◆ The **Department's Direct Loan servicer** is responsible for responding to schools' inquiries regarding **Direct Loan Program loans**. These loans are identified on the loan record detail report with a guarantor/servicer code of **0101**.



Even though the **current lender/servicer/holder code** for defaulted Direct Loan Program loans is 555, ALL inquiries regarding Direct Loan Program loans are responded to by the Direct Loan servicer.

The Department also reviews guaranty agency responses to schools' draft data challenges to ensure that the guaranty agency responses are correct. If the Department determines that the guaranty agency responses are not correct, the Department will notify the guaranty agency and the school prior to the release of the official cohort default rates that the guaranty agency's responses are incorrect and will provide the correct responses. The Department will instruct the guaranty agency to resubmit the corrected data to NSLDS and will inform the school that if the guaranty agency fails to make the corrections prior to the release of the official cohort default rates the Department will make the corrections after the official cohort default rates are calculated.

MONTHLY STATUS REPORTS

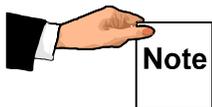
How does a guaranty agency notify the Department about the status of a school's challenge?

A guaranty agency must send the Department a copy of its response to a school's challenge. Please refer to the "Responding to Draft Data Challenges" section beginning on page 128 for guidance on how to respond to a school's draft data challenge.

However, in addition to sending the Department a copy of any challenge-related correspondence sent to a school, each guaranty agency should provide the Department with a monthly status report. The monthly status report provides the Department with an update on draft data challenges that guaranty agencies receive from schools after the release of the draft cohort default rates. These status reports will assist the Department in monitoring the time frames and work load associated with the draft data challenge process.

The status report should be sent to the Department using the address on page 125 within **5 working days** of the end of each month. For example, the status report for March, 2000 should be sent by April 7, 2000.

The report should be a **cumulative** listing of all draft data challenges. The report should reflect the date the school sent the challenge to the guaranty agency, the date the guaranty agency responded to the school's challenge, the tracking number associated with the agency's response, and the date the school received the response.



If a guaranty agency has not received any cohort default rate challenge inquiries or requests, the guaranty agency should send a status report marked "No cohort default rate challenge inquiries or requests received."

Once all responses have been provided to all schools and the guaranty agency has not received any subsequent challenges, the guaranty agency should send the Department an updated status report marked "FINAL". After the guaranty agency sends the Department the final report, the guaranty agency does not need to send any more monthly status reports until the official cohort default rates are released.

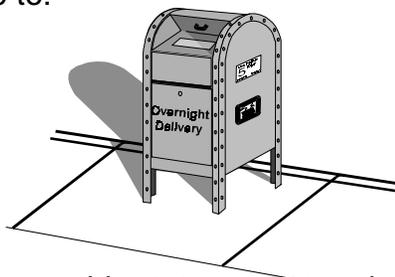


The monthly status report should list schools in order by OPE ID number.

Guaranty agencies should use the format of the sample **Monthly Status Report** spreadsheet, on page 127 to submit reports.

If sent by commercial overnight mail/courier delivery, send the monthly status report and all copies of letters sent to schools regarding the school's cohort default rate to:

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, send the monthly status report and all copies of letters sent to schools regarding the school's cohort default rate to:



U.S. Department of Education
Default Management Division
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Instructions for Monthly Status Report on Draft Data Challenges Spreadsheet

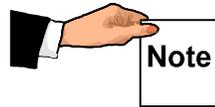
- Record all schools that requested cohort default rate data information using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc. The resulting spreadsheet is sent to the Department.
- The spreadsheet should be printed on 8 ½" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.
- Header:** Enter **FY 1998 Monthly Status Report on Draft Data Challenges** in the center of the header area. In the left-hand area, enter the name of the guaranty agency, the guaranty agency three digit guarantor code, and the number of schools that have submitted draft data challenges.
- Footer:** Enter the date in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages.
- Sort:** The report should be a cumulative listing of all draft data challenges in order by OPE ID number.
- On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.
- On Row 2 and below, include the following data for each school that has submitted a draft data challenge.
- Column 1:** Enter the school's six-digit OPE ID number.
- Column 2:** Enter the school's name.
- Column 3:** Enter MM/DD/CCYY (month, date, year) to identify the date the school submitted the draft data challenge.
- Column 4:** Enter MM/DD/CCYY to identify the date the guaranty agency mailed a response to the school.
- Column 5:** Enter type of service delivery (i.e. Federal Express, U.S. Postal Service, Airborne Express, etc.) the guaranty agency used to deliver its response to the school.
- Column 6:** Enter the tracking number assigned to the response by the delivery service.
- Column 7:** Enter MM/DD/CCYY to identify the date the school signed for the response from the guaranty agency.
- Column 8:** Enter comments in this column, if needed.

RESPONDING TO DRAFT DATA CHALLENGES

How should a guaranty agency respond to a school’s draft data challenge?



Step 1: Within **30 calendar days** of receiving the school's draft data challenge, a guaranty agency should **review this Guide to determine if the school’s challenge is timely.**



The time frames associated with a school’s draft data challenge are outlined in the “Draft Data Challenge” section beginning on page 86.

Step 2: **Within the time frame described in Step 1** (i.e., within 30 calendar days of receiving the school's draft data challenge), a guaranty agency should **notify the school and the Department if the school’s draft data challenge is untimely.**

If the school did not send its draft data challenge within **45 calendar days** of the school’s receipt of its most recent hardcopy draft cohort default rate data, the guaranty agency should NOT review any part of the school’s draft data challenge. In its response to the school, the guaranty agency should explain that it is unable to review the challenge because the school missed the regulatory deadline. The guaranty agency should refer the school to the “Draft Data Challenge” section beginning on page 75, and simultaneously send a copy of the letter to the Department.²



The Department mails draft cohort default rates at an announced time and tracks schools’ receipt of the rates. Before denying a school’s draft data challenge on the basis of a late submission, a guaranty agency should contact the Department to verify the actual date the school received its draft cohort default rate data.

² 64 Fed. Reg. 58974 (November 1, 1999) (Preamble to Final Rule)

If the school's submission due date falls on a weekend or a federal holiday, a school may send its draft data challenge to the guaranty agency no later than the next federal business day.

Step 3: If the draft data challenge is timely, **within the time frame described in Step 1** (i.e., within 30 calendar days of receiving the school's timely submitted draft data challenge), a guaranty agency should **review each allegation** submitted by the school.

◆ **Determine if the allegations** presented by the school are based on loans that **are currently held by the agency.**

If the loans are not held by the agency, notify the school that the allegation(s) should be submitted to the entity that currently maintains the guarantee on the loan. Remind the school that all allegations must be submitted to the appropriate entity within 45 calendar days of the school's receipt of its hardcopy draft cohort default rate data.

◆ **Determine if all relevant material is present** including, but not limited to:

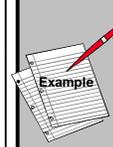
- ❖ a **spreadsheet** identifying the loans that the school is requesting the guaranty agency review;
- ❖ a copy of **applicable pages from the relevant loan record detail report(s).**

Each allegation must be accompanied by **at least one page** of a loan record detail report;

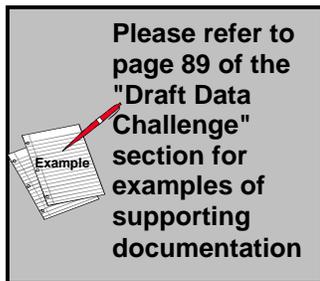
Q . How should a guaranty agency respond if a school challenges the accuracy of a FFEL Program loan that is considered in default due to the default on a consolidation loan?

A . The guaranty agency should confirm the date entered repayment of the FFEL Program loan and explain that the FFEL Program loan that was paid-in-full through consolidation is considered in default because the consolidated loan defaulted within the same cohort period in which the FFEL Program loan entered repayment.

If a different guaranty agency guaranteed the consolidation loan, the school should be referred to that agency for any questions pertaining to the default of the consolidation loan.



Please refer to pages 95 and 97 of the "Draft Data Challenge" section for a sample spreadsheet from a school and for a sample loan record detail report.



- A school should include the page of the loan record detail report where the borrower appears, or where the borrower should appear. A school should provide both pages of the loan record detail report if the borrower appears or should appear at the end of one page or at the beginning of the next page.
- If the borrower is moved from one year to another, a school should include the page of the loan record detail report where the borrower currently appears, and the page of the loan record detail report where the borrower should appear.

AND

- ❖ relevant **supporting documentation** including, but not limited to:

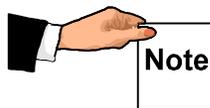
- a signed and dated copy of a **letter to the relevant lender or guaranty agency** that informs the entity of the borrower's last date of attendance or less-than-half-time date (whichever is earlier) and provides evidence that the information was mailed to the relevant lender or guaranty agency in a timely manner (i.e., a certified mail receipt);

AND/OR

- a signed and dated copy of a **Student Status Confirmation Report (SSCR)** or an **NSLDS SSCR screen print** that timely informs the lender and/or guaranty agency of the borrower's last date of attendance or less-than-half-time date (whichever is earlier);

AND/OR

- a copy of a **cancelled check**, front and back, or other documentation showing that the borrower's loan was cancelled in-full within 120 days of disbursement by the lender.



If a school fails to provide the guaranty agency with all the necessary information, the guaranty agency may ask the school to submit the missing information. However, the school must submit this additional information to the guaranty agency within the 45 calendar day deadline for submitting draft data challenges.

- ◆ **Research each allegation** to determine if documentation maintained by the guaranty agency supports or refutes the school's allegation.

Please refer to pages 80 through 85 of the "Draft Data Challenge" section for a list of the different types of possible allegations.



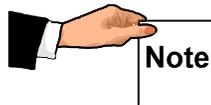
Please refer to page 92 of the "Draft Data Challenge" section for an example.

- ◆ **Make a determination** on each allegation listed on the school’s spreadsheet.



If a borrower has multiple loans guaranteed and currently held by the guaranty agency, the guaranty agency must address all of the borrower’s loans associated with the school in question.

- ❖ **Agree** with the school if the documentation maintained by the guaranty agency supports the school’s claim or if the school has demonstrated that the correct information was timely submitted to the lender and/or guaranty agency.



If the guaranty agency response indicates that a loan has been repurchased, the guaranty agency must provide the original claim paid date, the reason the loan was repurchased, and whether any subsequent claims were filed.

OR

- ❖ **Disagree** with the school if the documentation maintained by the guaranty agency refutes the school’s claim and the school failed to demonstrate that the correct information was timely submitted to the lender and/or guaranty agency. If the guaranty agency disagrees with the school, **the guaranty agency must explain why it disagrees with the school.**

There are a number of reasons why a guaranty agency might disagree with the school’s allegations of error. For example, the school might have:

- made only **general allegations** about the loan record detail report and/or the draft cohort default rate data;
- failed to provide evidence that the guaranty agency and/or lender was **timely notified of a change in status for the borrower**;

AND/OR

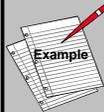
- failed to provide **acceptable supporting documentation** for an allegation.

Please refer to page 89 for examples of acceptable supporting documentation.

Step 4: Within the time frame described in Step 1 (i.e., within 30 calendar days of receiving the school's draft data challenge), a guaranty agency should **compile a list** of the guaranty agency's responses to the school's alleged errors.

- ◆ Record the responses to each of the school's alleged errors on a spreadsheet that follows the format of the sample **Draft Data Challenge Response** spreadsheet.
- ◆ **Provide comments** on why the guaranty agency agrees or disagrees with each of the school's allegations.

Step 5: Within the time frame described in Step 1 (i.e., within 30 calendar days of receiving the school's draft data challenge), a guaranty agency **should send the school a response to its draft data challenge and also send a copy of the response to the Department.**



Please refer to page 139 for a sample spreadsheet.



Due date for responding to the challenge.

Q . Do guaranty agencies have to provide copies of supporting documentation to the Department's Default Management Division?

A . No, guaranty agencies do not need to provide copies of supporting documentation to the Department's Default Management Division.

The Department recommends that:

- ◆ each guaranty agency submit the completed response to the school's draft data challenge using the format of the sample **Draft Data Challenge Response** letter shown on page 141;
- ◆ each guaranty agency include the spreadsheet created in Step 4 in its response;

AND

- ◆ each guaranty agency compile its response and mail the response via return receipt requested or via overnight courier delivery to the school with a copy to the Department sent to the address provided on page 136.

The recommended materials for the guaranty agency response are shown on page 135.

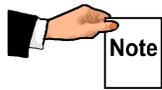
Step 6: **Respond to any subsequent inquiries** from a school within **5 working days** of the receipt of the school's timely inquiry and send a copy of the response letter to the Department.

If a guaranty agency does not agree with the school's subsequent inquiry, the agency should indicate that its previous response was its final response.



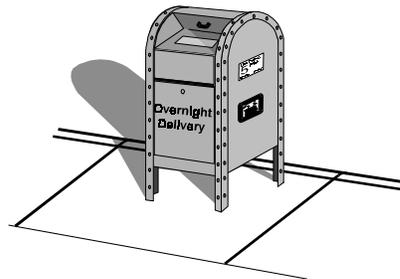
Note Schools must submit subsequent inquiries within **5 working days** of receiving the agency's response to its initial inquiry.

A guaranty agency should send the following to the school:

<p>The section behind Component 1 contains:</p> <p>A letter on the guaranty agency's letterhead with—</p> <ul style="list-style-type: none"> ◆ the school's OPE ID number; ◆ the school's name; ◆ a statement indicating that the guaranty agency is responding to the school's draft data challenge; ◆ the fiscal year to which the response applies; ◆ the signature of the responsible official at the guaranty agency, followed by a signature block providing the signer's name and job title. <p style="text-align: center;">AND</p> <ul style="list-style-type: none"> ◆ an indication that a copy was sent to the Department. <p>Guaranty agencies should use the sample Draft Data Challenge Response letter on page 141.</p>	<div style="border: 1px solid black; padding: 5px; display: inline-block;">Component 1</div>
<p>The section behind Component 2 contains:</p> <p>A list, in spreadsheet format, of the guaranty agency's responses to the school's alleged errors.</p> <p>Guaranty agencies should use the sample Draft Data Challenge Response spreadsheet on page 139. A guaranty agency must provide data on each of the elements listed on the sample spreadsheet.</p> <div style="display: flex; align-items: flex-start; margin-top: 10px;"> <div style="margin-right: 10px;">  </div> <div> <p>If a borrower has multiple loans, the guaranty agency must address <u>all</u> of the borrower's loans associated with the school in question.</p> </div> </div>	<div style="border: 1px solid black; padding: 5px; display: inline-block;">Component 2</div>

If sent by commercial overnight mail/courier delivery, send the Department's copy of the draft data challenge response to:

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, send the Department's copy of the draft data challenge response to:



U.S. Department of Education
Default Management Division
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Guaranty Agency Response to Draft Data Challenge **Example**

Draft Data Challenge Received by the State Guaranty Agency

Within 30 calendar days of receiving the school's draft data challenge, the guaranty agency:

- ◆ determined whether the school's challenge was **timely** (please refer to Step 1 on page 128);

State Guaranty Agency received Electrical Training Institute's FY 1998 draft data challenge on March 14, 2000. State Guaranty Agency checked to verify that the challenge was timely submitted. According to the Department, the school received its draft cohort default rate data on February 16, 2000. According to the postmark on the service delivery package, the draft data challenge was submitted to the agency on March 10, 2000. Because the challenge was submitted within 45 calendar days of the school's receipt of its draft cohort default rate data, the challenge was timely submitted.
- ◆ determined whether the loans listed on the school's spreadsheet **are currently held by the agency** (please refer to Step 3 on page 129);

State Guaranty Agency checked column 10 of Electrical Training Institute's spreadsheet and determined that the school had identified the loan as being guaranteed by the State Guaranty Agency. The State Guaranty Agency then verified in its system that the loan was currently held by the agency.
- ◆ determined whether all the **relevant material** was present for each allegation including (please refer to Step 3 on pages 129 through 131):
 - ❖ the school's **spreadsheet** (please refer to page 95 for the sample spreadsheet from the school);
 - ❖ the applicable pages from the relevant **loan record detail reports** (please refer to page 97 for sample loan record detail reports from the school);

AND

 - ❖ **supporting documentation** (please refer to page 99 for sample supporting documentation from the school).
- ◆ **reviewed** the allegation regarding David Smith presented by the school in its draft data challenge:

State Guaranty Agency's records confirm that **timely** notification of David's change in enrollment status was provided by the school. As a result, the agency **agreed** that David's FFEL Program Stafford loan should be removed from the school's FY 1998 cohort default rate and placed in the school's FY 1997 cohort default rate.
- ◆ prepared a **spreadsheet** that indicated the correct data associated with David's loan (please refer to the sample spreadsheet response on page 139);

AND
- ◆ created a **cover letter** to Electrical Training Institute responding to the school's draft data challenge (please refer to the sample cover letter on page 141).

State Guaranty Agency then sent the material to Electrical Training Institute at the address on the school's cover letter and sent a copy to the Department's Default Management Division.

Instructions for Draft Data Challenge Response Spreadsheet

Column 2: Enter the borrower's name.
Column 3: Enter the loan type. Use the following codes to identify the type of loan.

Loan Type Codes	
Code	Description
D1	Direct Loan Subsidized Stafford Loan
D2	Direct Loan Unsubsidized Stafford Loan
SF	FFEL Subsidized Stafford Loan
SL	Supplemental Loans for Student Loan
SU	FFEL Unsubsidized Stafford Loan

Column 4: Enter MM/DD/CCYY (month, date, year) to identify the **EARLIER** of LTH (less-than-half-time) enrollment or LDA (last date of attendance) based on the guaranty agency's review of the allegation.

Column 5: Enter MM/DD/CCYY to identify the date the loan entered repayment based on the guaranty agency's review of the allegation.

Column 6: Enter MM/DD/CCYY to identify the CPD (claim paid date), DD (default date), or ICRD (income contingent repayment date) based on the guaranty agency's review of the allegation. Leave blank if the borrower did not default or does not meet other specified conditions.

Column 7: Enter the recommended fiscal years to which a change should be made. If the loan is being moved from one year to another, the guaranty agency should indicate the effect on the fiscal year in which the borrower is currently included and the effect on the fiscal year in which the borrower should be placed.

Column 8: Enter N (numerator), D (denominator), or B (both numerator and denominator) with a negative or positive sign (-D or +D) to indicate the effect on the CDR (cohort default rate) calculation. If there is no effect, enter None.

Column 9: Enter any comments. **If the guaranty agency disagrees with the school's allegation(s), a comment must be made in this section to identify why the guaranty agency disagreed.**

Record all loans for which the school submitted a draft data challenge using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc. The resulting spreadsheet is sent to the school that submitted the challenge and to the Department

 Fill out a separate spreadsheet for each school submitting a draft data challenge.

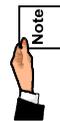
The spreadsheet should be printed on 8 1/2" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header: Enter **FY 1998 Draft Data Challenge Response** in the center of the header area. In the left-hand area, enter the guaranty agency name, the school's name, the school's OPE ID number, and the number of allegations identified on the spreadsheet.

Footer: Enter the date in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages.

Sort: The borrowers listed on the spreadsheet should be sorted by:

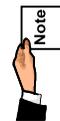
1. Borrower's Social Security number
2. Loan type.

 The guaranty agency should only respond to the borrowers listed on the school's spreadsheet.

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.

On Row 2 and below, include the following data for each loan for which the school submitted a draft data challenge.

Column 1: Enter the borrower's Social Security number (SSN) using hyphens to separate the numbers (example: 000-88-0000).

 If a borrower has multiple loans, the guaranty agency must address all of the borrower's loans associated with the school in question.

Sample Draft Data Challenge Response Spreadsheet

Note: This is a sample spreadsheet. See instructions on the previous page.

FY 1998 Draft Data Challenge Response

State Guaranty Agency
 Electrical Training Institute
 OPE ID 111111
 Number of allegations: 1

1. Borrower's SSN	2. Borrower's Name	3. Type of loan (Use codes on instructions)	4. Earlier of LTH or LDA (MM/DD/CCYY)	5. Date entered repayment (DER) (MM/DD/CCYY)	6. CPD, DD, ICRD, or N/A (MM/DD/CCYY or leave blank)	7. FY(s) appl.	8. Effect on CDR calc. (N.D. or B)	9. Comments
111-11-1111	David Smith	SF	11/12/1996	05/13/1997	09/05/1999	FY 1998 FY 1997	-B +D	Agree. The guaranty agency's records indicate that the school timely submitted the information on David's change in enrollment.

Please refer to Step 3 on page 129 for information on the time frame associated with completing this spreadsheet and page 138 for detailed instructions on creating this spreadsheet.

Sample Draft Data Challenge **Response Letter**



State Guaranty Agency

1234 Trueman Road
Lusby, North Carolina 98765-4321
(111) 222-3333

May 21, 2000

Sample Letter

Robert Young
President
Electrical Training Institute
1234 Main Street
Leonardtown, Wisconsin 12345-6789

OPE ID#: 111111

Subject: FY 1998 Draft Data Challenge Response

Dear Mr. Young:

This is State Guaranty Agency's response to Electrical Training Institute's, **OPE ID# 111111**, FY 1998 draft data challenge.

Please see the enclosed spreadsheet.

Sincerely,

Bob Tucker

Bob Tucker, CEO
State Guaranty Agency

Enclosure

cc: U.S. Department of Education, Default Management Division

Please refer to Step 5 on page133 for more information on the time frame of issuing this letter.

