

# Session #33

## Cohort Default Rates for Schools

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# Cohort Default Rate (CDR) Law & Regulations

# Higher Education Opportunity Act (HEOA)

- Signed into law 8/14/08
- Provided basis for negotiated rulemaking
- Neg. Reg. sessions 3/09 to 5/09
- NPRM published 7/28/09
- Final rule published 10/28/09

# HEOA Changes

- Increases CDR window from two to three years
- Changes successful mitigating circumstances appeal limit  
(Economically Disadvantaged Appeal)
- Increases threshold default rate from 25 percent to 30 percent



# HEOA Changes (continued)

- Increases the participation rate index from 0.0375 to 0.0625
- Requires a default prevention plan if 3-year CDR is 30 percent or more
- Establishes transition period to implement sanctions

# Effective Dates

- Beginning FY 2009: 3-year school CDR calculation
- Beginning FY 2011: increased participation rate index standard
- Beginning FY 2012: CDR threshold percentage increases

# Effective Dates (continued)

- Beginning FY 2012: default prevention plan required
- Beginning FY 2014: expanded mitigating circumstances appeal available for 3-year rates

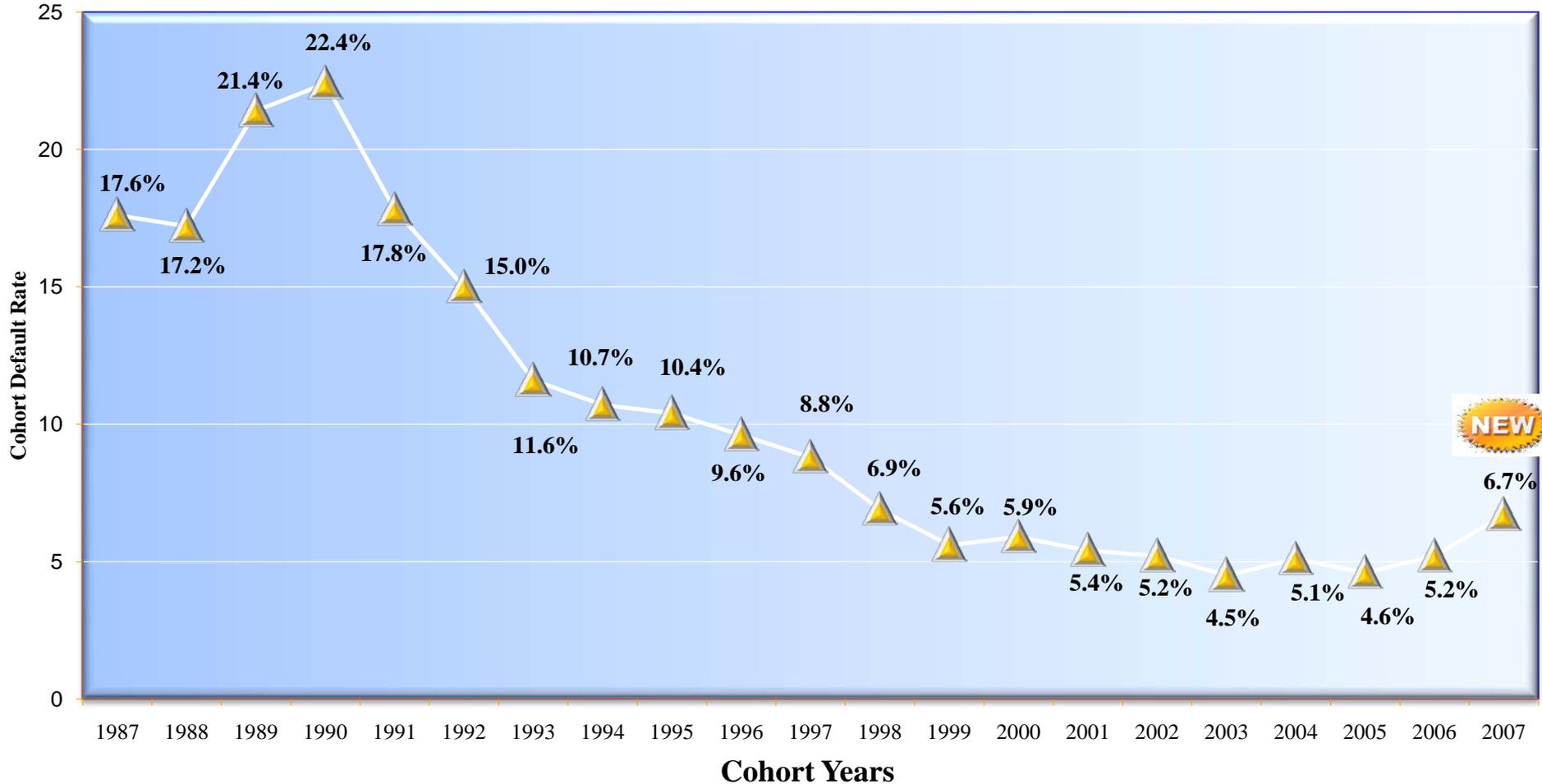
# Review of CDR Calculation & Effects



# National Student Loan Default Rates

Issue Date

1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009



START HERE  
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# What is a (CDR)?

The school's cohort default rate is the percentage of a school's borrowers who enter repayment during that fiscal year and default (or meet other specified conditions) before the end of the following fiscal year.



# Why are CDRs important?

Defaulted federal student loans cost taxpayers money. By calculating cohort default rates, sanctioning schools with higher rates, and providing benefits to schools with lower rates, the Department creates an incentive for schools to work with borrowers to reduce defaults. As a result, cohort default rates help save taxpayers money.

# Definition of the extended 3-Year (CDR)

The percentage of borrowers entering repayment on loans in a fiscal year and defaulting (or meeting other conditions) in that fiscal year or the next 2 fiscal years.

Source: *34 CFR Part 668.182*



# 2-Year versus 3-Year CDR



The **Numerator** is the number of borrowers from the denominator who default within a cohort period



The **Denominator** is the number of borrowers who enter repayment within a cohort period

FY-09	FY-10
125	230
5,000	

$$\frac{355}{5000} = .071 \text{ or } 7.1\%$$

FY-09	FY-10	FY-11
125	230	250
5,000		

$$\frac{605}{5000} = .121 \text{ or } 12.1\%$$



# Delivery and Recipients

Two sets of draft and official cohort default rates will be issued annually for fiscal years 2009, 2010, and 2011.

CDR Recipients:

- Domestic and foreign
- Certified for TIV programs
- Borrowers going into repayment for at least one of the past three fiscal years.

# CDR Changes

- The CDR default window changes from 2 years to 3 years
- There will be a transition period
- The penalty threshold will raise from 25-30%
- Increases “disbursement relief” CDR to 15%
- Effective October 1, 2011



# Transition Period

- Congress created a transition period during which “no school sanctions will be taken based on the 3-year calculated rate until after there have been three consecutive cohort years of such rates calculated”. [2012]
- During the transition periods, sanctions will be based on calculations made according to pre-HEOA provisions.

# Increased CDR Threshold = 30%

- Congress raised the single-year threshold from 25% to 30% [HEAO Section 435(a)]
- Effective 2012, HEOA requires schools with a CDR equal to or greater than 30% must establish a default prevention task force.

# Default Prevention Task Force

- School must create a task force and prepare a default prevention plan which:
  - Identifies the factors causing the school's CDR to exceed the threshold
  - Establishes measurable objectives and identify steps to take to improve the school's CDR



# Default Prevention Task Force (Continued)

- Specifies actions the school will take to improve student loan repayment, including loan repayment counseling

# CDR Benefit

- Schools whose CDR for each of the 3 most recent fiscal years that data is available is less than 15% may disburse a FFEL/DL in one installment.
- Also not required to delay delivery of the first disbursement of a loan to a first year, undergraduate student (the 30-day delay rule). Effective 10/01/11



# Institutional CDR Calculations By CDR Year

Table 1.  
Remaining Publications of 2-year CDR

CDR	Denominator: Enter Repayment	Numerator Default	Publish 2-year rates	Rate used for Sanctions
FY 2009	10/1/08-9/30/09	10/1/08-9/30/10	September 2011	2-year rate
FY 2010	10/1/09-9/30/10	10/1/09-9/30/11	September 2012	2-year rate
FY 2011	10/1/10-9/30/11	10/1/10-9/30/12	September 2013	2-year rate



# Institutional CDR Calculations By CDR Year

Table 2.  
Publications of 3-year CDR

CDR	Denominator: # In Repayment	Numerator # In Default	Publish 2-year rates	Rate used for Sanctions
FY 2009	10/1/08- 9/30/09	10/1/08- 9/30/11	September 2012	1-Year >40%
FY 2010	10/1/09- 9/30/10	10/1/09- 9/30/12	September 2013	1-Year >40%
FY 2011	10/1/10- 9/30/11	10/1/10- 9/30/13	September 2014	3-Year rate
FY 2012	10/1/11- 9/30/12	10/1/11- 9/30/14	September 2015	3-Year rate
FY 2013	10/1/12- 9/30/13	10/1/12- 9/30/15	September 2016	3-Year rate
FY 2014	10/1/13- 9/30/14	10/1/13- 9/13/16	September 2017	3-Year-rate



# CDR Challenges, Adjustments and Appeals

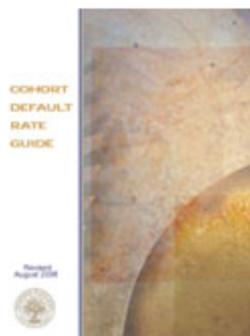


# CDR Challenges, Adjustments and Appeals

- **Incorrect Data Challenge (IDC)**
- Participation Rate Index Challenge (PRI)
- **Uncorrected Data Adjustment (UDA)**
- **New Data Adjustment (NDA)**
- Loan Servicing Appeal (LS)
- **Erroneous Data Appeal (ER)**
- **Economically Disadvantaged Appeal (EDA)**
- **Participation Rate Index Appeal (PRI)**

Default Management  
Search: [Advanced Search](#)**CDR Guide**[Default Rate Guide  
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Adjustments, and  
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## Cohort Default Rate Guide



The Cohort Default Rate Guide (Guide) is a comprehensive publication that presents information on cohort default rates for schools participating in the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. Default Prevention and Management previously provided the Guide twice a year with the draft and the official cohort default rates. The original Guide, was published August 2001. The revised Guide was published August 2006 and posted on the Default Prevention and Management's web site at <http://ifap.ed.gov/DefaultManagement/DefaultManagement.html>. It is the permanent version and any change to its content will be accessible from the "Updates" link on the Guide homepage.

### Cohort Default Rate Guide

- [Cohort Default Rate Guide Master File](#)
- [Table of Contents](#)
- [Part 1: Introduction](#)
- [Part 2: General Information](#)
- [Part 3: Strategy](#)
- [Part 4: Challenges, Adjustments and Appeals](#)
- [Glossary](#)
- [Appendices](#)

# eCDR Appeals

- Processes IDC, UDA and NDA electronically
- 1<sup>st</sup> became available in February 2008 (FY 2006 draft CDR)
- Available at the following link:

<https://ecdrappeals.ed.gov/ecdra/index.html>

# eCDR Appeals

- Beginning in early 2011, all schools MUST use eCDR Appeals to prepare and submit their IDC, UDA and NDA
- Stay tuned—more information will become available in 2010

# eCDR Appeals Benefits

- Easy-to-use interface
- Protects Privacy Act data
- Automatically packages allegations by data manager
- Compares draft/official LRDR and populates UDA

# eCDR Appeals Homepage

The screenshot shows a Windows Internet Explorer browser window displaying the eCDR Appeals homepage. The address bar shows the URL <https://ecdrappeals.ed.gov/ecdra/index.html>. The page features the Federal Student Aid logo with the slogan "START HERE GO FURTHER" and the text "eCDR Appeals System". Below the logo, there are links for "PPD Home Page" and "Login". The main content area includes a "Welcome" section with a paragraph about the eCDR Appeals application, a "LOGIN" button, and a "Help" section. The "Help" section contains text about the August 2006 Cohort Default Rate Guide and eCDR Appeals User Guides, followed by a bulleted list of links: [eCDR Appeals IDC User Guide](#), [eCDR Appeals UDA User Guide](#), and [eCDR Appeals NDA User Guide](#). A note at the bottom states: "Note: From a technical perspective, all User Guides assume basic familiarity with using a computer and web browser to view and interact with web sites. These guides are made available as Adobe Acrobat PDF files. To view these files, the user will need to download the free Adobe reader." The browser's taskbar at the bottom shows several open applications, including Microsoft Office Word, Internet Explorer, and a White Paper application, along with the system clock showing 1:44 PM.

eCDR Appeals - Windows Internet Explorer  
https://ecdrappeals.ed.gov/ecdra/index.html

File Edit View Favorites Tools Help

eCDR Appeals

START HERE  
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eCDR Appeals System

PPD Home Page Login

### Welcome

Federal Student Aid is pleased to announce the availability of the electronic Cohort Default Rate Appeals application (eCDR Appeals). The eCDR Appeals application is a web-based application that allows schools to submit Incorrect Data Challenges (IDC), Uncorrected Data Adjustment (UDA) appeals, and New Data Adjustment (NDA) appeals during the cohort default rate appeal cycles.

[LOGIN](#)

### Help

The August 2006 [Cohort Default Rate Guide](#) (CDR Guide) is a publication that the U.S. Department of Education (Department) designed to assist schools with their Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan (Direct Loan) Program cohort default rate data. This Guide should be used as a reference tool in understanding cohort default rates and processes.

The eCDR Appeals User Guides are designed to lead users through the online, paper-less IDC, UDA and NDA processes. These User Guides assume a basic knowledge of cohort default rates and associated processes. They complement the CDR Guide. In the event of any discrepancy between the IDC, UDA or NDA User Guides and the CDR Guide, **the CDR Guide is the authoritative source for regulatory considerations and constraints.**

- [eCDR Appeals IDC User Guide](#)
- [eCDR Appeals UDA User Guide](#)
- [eCDR Appeals NDA User Guide](#)

The [eCDR Appeals Registration and User Account Guide](#) focuses on the process of obtaining an account on eCDR Appeals. This guide also outlines the means for Destination Point Administrators (DPAs) to manage user accounts.

*Note: From a technical perspective, all User Guides assume basic familiarity with using a computer and web browser to view and interact with web sites. These guides are made available as Adobe Acrobat PDF files. To view these files, the user will need to download the free Adobe reader.*

Done Local intranet | Protected Mode: Off 100%

2 Microsoft... 2 Window... 2009 FSA C... 3 Internet ... White Pape... 1:44 PM



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Federal Student Aid also record short online demonstration sessions of the system for schools as a training aid:

- [Registration for eCDR Appeals](#)
- [Preparing and submitting an IDC](#)
- [Preparing and submitting a NDA](#)
- [Preparing and submitting a UDA](#)

These videos do not include any transcript as the User Guides offer a comprehensive description of the system. Simply enter your name and hit "View Recording". A "recording key" is not required. There are two versions of the video available for streaming or downloading. If viewing the Microsoft Office Live Meeting Replay version, it is recommended that you install the [Microsoft Office Live Meeting 2007 client](#) available at the same site.

Federal Student Aid has compiled a list of [Frequently Asked Questions for eCDR Appeals](#).

For additional help, please visit the Portfolio Performance Division's [Default Prevention and Management](#) web site

Last updated/reviewed October 04, 2009

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# eCDR Appeals Questions?

- Further information is available in the PC Lab
  - View eCDR Appeals demo
  - Registration assistance
  - Website overview

# Resources

- IFAP website: <http://www.ifap.ed.gov>
- Default Prevention and Management website: <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>
- eCDR Appeals website: <https://ecdrappeals.ed.gov/>
- Questions regarding Default Prevention Plans:  
Mark Walsh, (816) 268-0412, email:  
[mark.walsh@ed.gov](mailto:mark.walsh@ed.gov)

# Contact Information

We appreciate your feedback and comments. We can be reached at:

- Phone: 202-377-4259 (PPD hotline)
- Email : [fsa.schools.default.management@ed.gov](mailto:fsa.schools.default.management@ed.gov)
- Fax : 202-275-0913

