

4.6 Loan Servicing Appeal

What is a loan servicing appeal?

A loan servicing appeal is an appeal that alleges a school's official cohort default rate includes defaulted Federal Family Education Loans (FFELs) or William D. Ford Federal Direct Loans (Direct Loans) that are considered improperly serviced for cohort default rate purposes. For this Guide, "improperly serviced" always means "improperly serviced for cohort default rate purposes only."

Loan Servicing Appeal Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives official cohort default rate	<i>September</i>
	School sends request for loan servicing records to Data Manager	<i>Within 15 days of timeframe begin date</i>
	Data Manager notifies school of any fee for providing records	<i>Within 20 days of receipt of school's request</i>
	School pays the fee, if charged	<i>Within 15 days of data manager notification</i>
	Data Manager sends loan servicing records to school	<i>Within 20 days of receipt of payment</i>
	School requests clarification, replacement, or Department records	<i>Within 15 days of receipt of records</i>
	Data Manager sends requested information to school	<i>Within 20 days of school's request</i>
	School sends completed Loan Servicing Appeal to Default Prevention and Management (DPM) <i>If the school is also filing a New Data Adjustment and/or Erroneous Data Appeal, it may submit them together, by the date that the latest is due.</i>	<i>Within 30 days of receipt of records</i>

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

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

When is a defaulted FFEL considered improperly serviced for cohort default rate purposes?

A defaulted FFEL is considered improperly serviced for cohort default rate purposes if one or more of the following occur:

- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to send at least one letter (other than the final demand letter) urging the borrower to make payments on the loan.
- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to attempt at least one telephone call to the borrower.
- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to submit a request for pre-claims assistance or default aversion assistance to the guaranty agency.
- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to send a final demand letter to the borrower.
- ◆ The borrower never made a loan payment, and the school can document that the lender was required but failed to submit a certification (or other documentation) to the guaranty agency to demonstrate that the lender performed skip tracing.

For cohort default rate purposes, skip tracing must be performed if the lender receives information before the 241st day of delinquency indicating that the borrower's address of record is incorrect. Skip tracing is not required for cohort default rate purposes if the lender has the borrower's correct address but does not have a record of the borrower's correct telephone number. (Prior to October 7, 1998, for cohort default rate purposes, performance of skip tracing had to be shown if the lender received information before the 151st day of delinquency indicating an incorrect address for the borrower.)

If the borrower makes at least one loan payment or if the lender timely performs all of the above-listed activities as appropriate, the loan is considered properly serviced for cohort default rate purposes. However, servicing and collection activities performed after sending the final demand letter will not be considered when determining if a loan has been properly serviced.

When is a defaulted Direct Loan considered improperly serviced for cohort default rate purposes?

A defaulted Direct Loan is considered improperly serviced for cohort default rate purposes if one or more of the following occur:

- ◆ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to send at least one letter (other than the final demand letter) urging the borrower to make payments on the loan.

- ◆ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to attempt at least one telephone call to the borrower.
- ◆ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to send a final demand letter to the borrower.
- ◆ The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to document that skip tracing was performed if the Direct Loan servicer determined it did not have the borrower's current address.

If the borrower makes at least one loan payment or if the Direct Loan servicer timely performs all of the above-listed activities as appropriate, the loan is considered properly serviced for cohort default rate purposes. However, servicing and collection activities performed after sending the final demand letter will not be considered when determining if a loan has been properly serviced.

Which schools are eligible to submit a loan servicing appeal?

Any school that receives an official cohort default rate may submit a loan servicing appeal if it believes that its official cohort default rate calculation includes one or more defaulted FFELs or Direct Loans that were improperly serviced for cohort default rate purposes. This includes schools that are not subject to sanction and schools that have withdrawn from the FFEL and/or Direct Loan programs.

Any school may submit a loan servicing appeal for its most recent official cohort default rate. In general, schools that are subject to sanction may submit a loan servicing appeal for any official cohort default rate upon which the loss of eligibility is based. However, a school may not submit a loan servicing appeal for an official cohort default rate if the school previously submitted a loan servicing appeal for that official cohort default rate. Further, a school may not submit a loan servicing appeal for an official cohort default rate that was the basis, either entirely or partially, of a previous sanction.

What benefit will a school gain from submitting a loan servicing appeal?

If, as a result of a loan servicing appeal (or as the result of a school's submission of any adjustment or appeal), DPM determines that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, DPM will remove those loans (or, if applicable, a valid statistical projection of the total number of borrowers who defaulted due to improper loan servicing) from the cohort default rate calculation and will recalculate the cohort default rate using the remaining data. This may lower or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

However, even though DPM may revise a cohort default rate, subsequent copies of the Loan Record Detail Report (LRDR) for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of DPM's final determination letter as the official record of the school's revised cohort default rate.

What roles do the Department and data managers have in a school's loan servicing appeal?

A data manager is required to review a school's request for loan servicing records if the request is submitted in a timely manner and the data manager has responsibility for the loans. If a school submits a request to the wrong entity, the request will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the LRDR identifies the data manager for a loan.

Data managers are responsible for providing loan servicing records for the loans they hold. The data manager may charge a fee not to exceed \$10 per borrower file. If the data manager chooses to charge a fee, it is not required to provide the records until after the school pays the full fee in a timely manner.

The data manager must respond to the school's request within 20 calendar days. However, the data manager must not review a request for loan servicing records if the school did not timely send the request for loan servicing records or make the payment within the appropriate 15-calendar-day timeframe. If the data manager does not respond within 20 calendar days, the school should advise DPM in writing of the delay.

The Department has two roles in the loan servicing appeal process. The primary role is to review a school's loan servicing appeal, which is submitted to DPM once the school has received loan servicing records from the data manager and has determined that the loans were improperly serviced for cohort default rate purposes.

The Department's other role is to respond to a school's request for loan servicing records if the Department is the data manager for the loans. The Department is the data manager for FFELs the Department holds and for all Direct Loans.

DPM is responsible for responding to a school's request for loan servicing records for FFELs that the Department holds. These loans are primarily identified in the LRDR with a guarantor/servicer code of 555. See the "Alphabetical Data Manager Contacts" on the DPM's website, (under the "Default Rate Guide" link) for a listing of other codes that identify the Department as the holder of a loan.

The Department's Direct Loan servicer is responsible for responding to a school's request for loan servicing records for all Direct Loans. These loans are identified in the LRDR with a guarantor/servicer code of 0101.

How does a school submit a request for loan servicing records?

Timing is critical when submitting a loan servicing appeal. A school begins the process by sending its request for loan servicing records to the data manager responsible for a loan within 15 calendar days of the timeframe begin date.

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation which verifies the receipt of the materials as well as all electronic and hardcopy documentation submitted as a part of the appeal process. If a school does not meet the 15-calendar-day timeframe for requesting loan servicing records, the request will not be reviewed.

If a school believes the official cohort default rate calculation contains any defaulted loans that were improperly serviced for cohort default rate purposes, the school should request loan servicing records from the data manager. However, a school cannot file a loan servicing appeal on a loan that is considered in default because the loan met the other specified condition as discussed in Chapter 2.1, "How the Rates are Calculated."

The loan servicing records are the collection and payment history records regarding a borrower that are—

- ◆ submitted to the guaranty agency by the lender and used by the guaranty agency in determining whether to pay a default claim or
- ◆ maintained by the Direct Loan servicer and used by the Direct Loan servicer in determining the cohort default rate.

A school cannot request specific loan servicing records. If the data manager holds loans for 99 or fewer borrowers from the school, the data manager will select loan servicing records for all the borrowers. If the data manager holds loans for 100 or more borrowers, the data manager will select loan servicing records for a representative sample of the borrowers. The representative sample may or may not include the specific records a school wishes to review.

If one data manager is responsible for all the loans, the school will request loan servicing records only from that data manager. However, if there are multiple data managers involved, the school should prepare separate loan servicing records requests for each data manager, if the school believes that one or more of the defaulted loans held by the data manager are improperly serviced for cohort default rate purposes. For example, a school believes the LRDR contains three defaulted loans that were improperly serviced for cohort default rate purposes. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate requests for loan servicing records, one for each data manager.

The request for loan servicing records must include the following:

For domestic schools the "timeframe begin date" is the sixth business day after the cohort default rates are released as officially announced on the IFAP website: <http://ifap.ed.gov>.

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

- ◆ A letter on the school's letterhead (see sample letter at the end of this chapter).
- ◆ A copy of the entire relevant LRDR for the official cohort default rates being appealed.

The school must send a copy of the letter to DPM at the same time it sends the request to the data manager. The school does not need to send copies of the LRDRs to DPM at that time unless the school is requesting loan servicing records for a loan that the Department holds.

If a school that is subject to sanction is submitting requests for loan servicing records for multiple official cohort default rates, the school should submit all the requests in the same mailing to the data manager and DPM. However, the school still needs to prepare separate requests for each cohort fiscal year.

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the materials as well as copies of all electronic and hardcopy documentation submitted as a part of the loan servicing appeal process. If a school does not meet the 15-calendar-day timeframe for requesting loan servicing records, the request will not be reviewed.

How does a school identify the data manager of a loan?

As mentioned, the guarantor/servicer code on the LRDR shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. See "Numerical Data Manager Contacts" on the DPM Web site.

What does a data manager do when it receives a school's request for loan servicing records?

Timing is critical when a data manager receives a school's request for loan servicing records. A data manager is required to respond to a school's timely submitted request for loan servicing records for those loans for which the entity is the data manager and send a copy of the response to DPM. However, the data manager must not review a request for loan servicing records if the 15-calendar-day timeframe for a school to submit the request for loan servicing records has expired. If the school's due date falls on a weekend or a federal holiday, a school may send its request for loan servicing records to the data manager no later than the next federal business day.

Before denying a school's request for loan servicing records on the basis of a late submission, a data manager should verify the timeframe begin date for the school from DPM. If the school did not submit the request for loan servicing records in a timely manner, the data manager must not review any part of the request. In its response to the school, the data manager should explain that it is unable to review the request for loan servicing records because the school missed the regulatory deadline. The data manager must also send a copy of the response to DPM.

The data manager must respond to a timely submitted request for loan servicing records within 20 calendar days of receiving the submission. If the data manager does not respond within 20 calendar days, the school should advise DPM in writing of the delay.

If the request for loan servicing records is timely, the data manager must review the request. The data manager should determine the following:

- ◆ *The data manager should determine if the request is appropriate.*

Any school may submit a loan servicing appeal for its most recent official cohort default rate. In general, schools that are subject to sanction may submit a loan servicing appeal for any official cohort default rate upon which the loss of eligibility is based. DPM will inform data managers each cycle of this information. However, a school may not submit a loan servicing appeal for an official cohort default rate if the school previously submitted a loan servicing appeal for that official cohort default rate. Further, a school may not submit a loan servicing appeal for an official cohort default rate that was the basis, either entirely or partially, of a previous sanction.

- ◆ *The data manager should determine if the request for loan servicing records by the school is based on loans that the data manager currently holds.*

If the data manager does not hold the loans, the data manager should notify the school that the request for loan servicing records must be submitted to the appropriate data manager and remind the school that the request for loan servicing records must be submitted to the appropriate data manager within 15 calendar days of the school's timeframe begin date.

There will be some instances where the data manager was the former holder of the defaulted loans but those loans have been assigned to the Department and the LRDR for the official cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and DPM a notice stating that the loans have been assigned to the Department. The school then has until 15 calendar days after receipt of the letter from the data manager to submit the request for loan servicing records to DPM.

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

See the section of this chapter entitled "How does a school submit a request for loan servicing records?" for information on the materials a school is required to submit with its request for loan servicing records. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 15-calendar-day

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

deadline for submitting the request for loan servicing records. If the school does not submit the additional information within the deadline, the data manager must not review the request for loan servicing records.

If the request is timely and appropriate, the data manager must determine if the data manager is required to provide loan servicing records for all of the loans or for a representative sample of the loans.

If a data manager currently holds defaulted loans associated with 99 or fewer borrowers in a school's official cohort default rate calculation, the data manager is required to provide loan servicing records associated with each defaulted loan included in the official cohort default rate calculation. Loans that are considered in default for the other specified condition are not included. If a data manager currently holds defaulted loans associated with 100 or more borrowers in a school's official cohort default rate calculation, the data manager should identify a representative sample of the borrowers and only provide the loan servicing records for those borrowers included in the representative sample.

To select a representative sample, the data manager should first identify all of its borrowers with defaulted loans in the LRDR for the official cohort default rate that the school is appealing. Loans that are considered in default for the other specified condition are not included. The data manager should then identify a sample that is large enough such that the estimate derived from the sample is acceptable at a 95 percent confidence level with a plus or minus 5 percent confidence interval. The data manager is required to supply servicing records for each defaulted loan that is associated with a borrower included in the sample.

If a data manager is required to provide loan servicing records for a representative sample, a school may not request loan servicing records for specific loans. If a school requests loan servicing records for specific loans, the data manager should inform the school that, because the data manager is supplying loan servicing records for a representative sample of loans, the specific loan servicing records the school requests may or may not be provided.

What if the data manager requires that a fee be paid to obtain loan servicing records?

Timing is critical when requesting a fee for loan servicing records. If the data manager charges a fee, the data manager must send the school a request for payment and send DPM a copy of the payment request within 20 calendar days of receiving the request for loan servicing records. The fee may not exceed \$10 per borrower file. (See sample letter at the end of this chapter.)

When sending its payment, the school should include a cover letter, which may be modeled on the request letter that it sent (see sample request letter at end of this chapter). If the school does not make payment in full within 15 calendar days of receiving the request for payment, the data manager must notify the school and DPM that payment in full was not timely received and

Guaranty agencies should refer to Dear Guaranty Agency letter dated June 1994 for information on determining appropriate sample sizes. For a copy of this letter, write to DPM at fsa.schools.default.management@ed.gov.

that the school has waived its right to receive loan servicing records from that data manager.

How does a data manager respond after it determines that it is appropriate to send the loan servicing records?

Timing is critical when sending loan servicing records. Within 20 calendar days of receiving a request for loan servicing records (if the data manager does not charge a fee for loan servicing records) or 20 calendar days of receiving payment (if the data manager charges a fee for the loan servicing records), the data manager must send the loan servicing records to the school.

When sending the school loan servicing records, the data manager response should include the following:

- ◆ A spreadsheet of the borrowers included in the representative sample and the defaulted loans for each borrower or an alternative method that provides the required information (see sample spreadsheet below).
- ◆ Copies of all loan servicing records relating to loans included in the representative sample (or, if the total number of defaulted borrowers is less than 100, copies of loan servicing records for each defaulted borrower).
- ◆ A letter on the data manager’s letterhead with the school’s name and OPE ID number (see sample letter at end of this chapter).

Sample Spreadsheet for Loan Servicing Records – Data Manager to School

Type: Response to a Request for Loan Servicing Records
 Cohort FY: 2004
 From: State Guaranty Agency
 Code: 111
 To: Coralville College
 Code: 098998

Number of Borrowers: 119
 Number of Loans: 125

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Borrowers SSN	Borrowers Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-Claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Records?	Missing Records?	Improperly Serviced?
1														
2	777-77-7777	Green, Marcia	SF	1	No	04/08/2004	05/07/2004	No	11/07/2004	Yes	N/A	No	No	Yes
3	777-77-7777	Green, Marcia	SU	2	No	04/08/2004	05/07/2004	No	11/07/2004	Yes	N/A	No	No	Yes
4	888-88-8888	Kent, Dale	SF	2	No	12/08/2004	01/06/2005	05/16/2005	No	Yes	N/A	No	No	Yes
5	999-99-9999	Clark, Shirley	SF	1	No	11/10/2004	11/12/2004	12/15/2004	01/04/2005	Yes	N/A	No	No	No
6	999-99-9999	Clark, Shirley	SU	1	No	11/10/2004	11/12/2004	12/15/2004	01/04/2005	Yes	N/A	No	No	No

Date 10/07/2006

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The only information a data manager is required to provide is in columns A-D of the sample data manager loan servicing appeal response spreadsheet. Although columns E-N of the sample spreadsheet are completed, a data manager is not required to complete these columns. However, a data manager may choose to complete the spreadsheet in order to assist a school. The data manager may also use an alternative method to assist a school.

A blank version of this spreadsheet is posted on the Default Prevention and Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>.

The data manager then sends its response to the school. The data manager must also send a copy of the letter and a copy of the list of borrowers to DPM. The data manager does not need to send copies of the loan servicing records to DPM.

If the school submitted requests for loan servicing records for multiple cohort fiscal years, the data manager should prepare separate responses for each cohort fiscal year. However, the data manager should send the separate responses to the school and DPM in the same mailing.

If a data manager is unable to respond within 20 calendar days of receiving the school's request for loan servicing records, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that DPM has been informed of the delay.

If a data manager can respond to only a portion of a school's request for loan servicing records within 20 calendar days, it should hold that portion of the response until it can provide a response to all of the school's request. The data manager should send a letter to the school and DPM that provides the information outlined above.

A data manager can assist schools in reading the collection history by identifying the relevant collection activities for each loan. This may be done by completing the records portion of the loan servicing spreadsheet as shown in the example, by highlighting the collection activities in the actual collection records provided to the school, or by creating a summary sheet outlining the abbreviation/codes associated with specific collection activities.

Within 15 days of receiving the loan servicing records, a school may request replacement records for missing or illegible records from the data manager. The data manager has 20 calendar days to respond. The data manager must either replace the missing or illegible records or notify the school and DPM in writing that no additional or improved copies are available.

How a data manager submits a copy of its response to the Department

DPM recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the response to the request for loan servicing records as well as all other electronic and hardcopy documentation submitted as a part of the appeal process.

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

If sending by courier:

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

If sending by U.S. Postal Service:

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

Do not send materials to any other address at the Department

What does the school do with the data manager's response to the school's request for loan servicing records?

Timing is critical for schools after receiving loan servicing records. The school must review the loan servicing records and determine how it will proceed. If the school receives a data manager summary of the information in the loan servicing records, the school should still review the records to ensure that the summary is accurate. If a school finds that a record identified as part of the representative sample is missing or illegible, the school may request replacement records from the data manager. The school has 15 calendar days to request the missing and/or illegible records. The data manager has 20 calendar days to respond to the request. The data manager must either replace the missing and/or illegible records or notify the school and DPM in writing that no additional or improved copies are available.

Within 30 calendar days of receiving the last response to all of the school's requests for loan servicing records, the school must decide how to proceed and prepare a response to DPM accordingly. If the records indicate that there are no improperly serviced loans for cohort default rate purposes in the school's official cohort default rate calculation, the school should notify DPM that the school is withdrawing the appeal.

If the records indicate that there are improperly serviced loans for cohort default rate purposes included in the school's official cohort default rate calculation, the school should submit a loan servicing appeal to DPM. The school must submit the loan servicing appeal within 30 calendar days of receiving the last response to its request for loan servicing records with the following exception: If the school is submitting the loan servicing appeal to DPM along with a timely new data adjustment and/or a timely erroneous data appeal, the school may submit all materials by the later of the following time-frames:

- ◆ within 30 calendar days of receipt of the last response to all of the school's new data adjustment allegations,
- ◆ within 30 calendar days of receipt of the last response to all of the school's erroneous data appeal allegations, or
- ◆ within 30 calendar days of receipt of the last response to all of the school's requests for loan servicing records.

If the school does not submit the loan servicing appeal in a timely manner, DPM will not review the loan servicing appeal. If a school is submitting a loan servicing appeal for multiple cohort default rates, it should submit all the loan servicing appeals in the same mailing to DPM. However, the school still needs to submit separate documentation for each loan servicing appeal.

The school must submit to DPM the following:

- ◆ Copies of the data manager responses to the school's requests for records.
- ◆ A spreadsheet that lists the allegations (see sample spreadsheet on next page).

- ◆ Copies of the loan servicing records. The school should not send loan servicing records for loans that were properly serviced for cohort default rate purposes.
- ◆ A letter on the school's letterhead (see sample letter at end of this chapter).

Sample Loan Servicing Appeal Spreadsheet – School to the Department

Type: Loan Servicing Appeal
 Cohort FY: 2004
 From: Coralville College
 Code: 098998
 To: DPM
 Code:

Number of Borrowers: 2
 Number of Loans: 5

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Borrowers SSN	Borrowers Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-Claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Records?	Missing Records?	Improperly Serviced?
1														
2	777-77-7777	Green, Marcia	SF	1	No	04/08/2004	05/07/2004	No	11/07/2004	Yes	N/A	No	No	Yes
3	777-77-7777	Green, Marcia	SU	2	No	04/08/2004	05/07/2004	No	11/07/2004	Yes	N/A	No	No	Yes
4	888-88-8888	Kent, Dale	SF	2	No	12/08/2004	01/06/2005	05/16/2005	No	Yes	N/A	No	No	Yes

Date 11/02/2006

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A blank version of this spreadsheet is posted on the Default Prevention & Management website at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>

If the school receives a completed spreadsheet from a data manager, the school is still responsible for reviewing the loan servicing records and ensuring that the information the data manager listed on the spreadsheet is correct. The school should remove any loans that were properly serviced for cohort default rate purposes from the spreadsheet before sending the spreadsheet to DPM. For example, compare the sample spreadsheet that the school is sending to the Department with the previous spreadsheet sent to the school by the data manager. Note that the school has removed Shirley Clark from the list because her loans were properly serviced for cohort default rate purposes.

If a school that is subject to sanction is submitting requests for loan servicing records for multiple official cohort default rates, the school should submit all the requests in the same mailing to DPM and the data manager. However, the school still needs to prepare separate requests for each cohort fiscal year.

How a school submits a loan servicing appeal to DPM

DPM recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful if the school is asked to authenticate the timeliness of its submission. The school should maintain the documentation that verifies the receipt of the appeal as well as all other electronic and hardcopy documentation submitted as a part of the appeal process.

If a school does not meet the timeframe for submitting the appeal, the appeal will not be reviewed

If sending by courier:

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

If sending by U.S. Postal Service:

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

Do not send materials to any other address at the Department

What happens after the school submits the loan servicing appeal?

DPM will review only the information submitted with the loan servicing appeal and will not review information submitted after the deadline. DPM will send the school and each involved data manager written notification of DPM's decision. DPM's decision is final and no further administrative review is provided.

If DPM determines, using the standard of review described in 34 CFR 668.189(f), that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, DPM will remove the loans (or, if applicable, a valid statistical projection of the total number of borrowers who defaulted due to improper loan servicing) from the cohort default rate calculation and will recalculate the cohort default rate based on the remaining data.

If the school was notified that it was subject to sanction and the loan servicing appeal is successful and the revised cohort default rate is below the sanction level, DPM will withdraw that sanction notice. If the school was notified that it was subject to sanction and the loan servicing appeal is unsuccessful (or if the loan servicing appeal is successful but the revised cohort default rate remains above the sanction level), and the school has no other outstanding adjustments or appeals, DPM will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

Sample Letter (School to Data Manager)



October 2, 2006

ATTN: Lisa Neiers
Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

OPEID 098998

Subject: Cohort FY 2004 Request for Loan Servicing Records

Dear Ms. Neiers:

Coralville College, OPE ID 098998, is requesting the loan servicing records for the defaulted loans guaranteed and currently maintained by your agency and included in our school's cohort FY 2004 official cohort default rate. Please see the enclosed loan record detail report for the official cohort default rates.

Thank you for your consideration.

Sincerely,

Serena Rooney
President, Coralville College

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

The letter must include the school's OPE ID number, a statement indicating that the school is requesting loan servicing records, and the cohort fiscal years to which the request applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Request for Loan Servicing Records." The letter must also include a notation that the school is sending a copy of the letter to DPM. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

**Sample Payment Request Letter
(Data Manager to School)**

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

October 7, 2006

Serena Rooney
President
Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2004 Payment Request for Loan Servicing Records

Dear Ms. Rooney:

This is State Guaranty Agency's response to the request by Coralville College, OPE ID 098998, for loan servicing records. State Guaranty Agency has identified 156 borrowers with 167 defaulted loans that are guaranteed by our agency and included in the FY 2004 loan record detail report for the official cohort default rates. Based on a total population of 156 borrowers we have determined that the representative sample of loan servicing records will consist of 119 borrowers and 125 loans. State Guaranty Agency used the method outlined in the Department's June 1994 Dear Guaranty Agency Director letter to select the representative sample.

Prior to providing the loan servicing records associated with the 119 borrowers' defaulted loans, the State Guaranty Agency is requesting payment of \$1,190.00. This payment is due within 15 calendar days of your school's receipt of this request.

Sincerely,

Lisa Neiers
Compliance Officer

Enclosures

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

The letter must include a description of the method used to select the representative sample. The data manager must also send the school a list, in Social Security Number (SSN) order, of the borrowers included in the sample and the number of defaulted loans belonging to each borrower found in the LRDR for the official cohort default rates.

**Sample Letter
Response to Request for Loan Servicing Records
(Data Manager to School)**

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

October 7, 2006

Serena Rooney
President
Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2004 Response to a Request for Loan Servicing Records

Dear Ms. Rooney:

This is State Guaranty Agency's response to the request by Coralville College, OPE ID 098998, for loan servicing records. State Guaranty Agency has identified 156 borrowers with 167 defaulted loans that are guaranteed by our agency and included in your school's cohort FY 2004 loan record detail report for the official cohort default rates. Based on a total population of 156 borrowers, we have determined that the representative sample of loan servicing records provided to your school will consist of 119 borrowers and 125 defaulted loans. State Guaranty Agency used the method outlined in the Department's June 1994 Dear Guaranty Agency Director letter to select the representative sample.

Please see the enclosed spreadsheet and a copy of the loan servicing records.

Sincerely,

Lisa Neiers
Compliance Officer

Enclosures

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

The letter must indicate that the data manager is responding to the school's request for loan servicing records and the cohort fiscal years to which the request applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Loan Servicing Records Response." The letter must state the total number of defaulted borrowers in the official cohort default rate calculation with loans serviced by the data manager and the total number of borrowers and loans for which loan servicing records are provided.

If the data manager sends a representative sample, the letter must state the method used to determine the sample. The letter must also include a statement that a copy of the letter and the list of borrowers have been sent to DPM. The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Sample Letter Loan Servicing Appeal (School to DPM)



November 2, 2006

U.S. Department of Education
Default Prevention and Management
ATTN: Loan Servicing Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2004 Loan Servicing Appeal

To Whom It May Concern:

Coralville College, OPE ID 098998, is submitting an appeal of its cohort FY 2004 official cohort default rate based on allegations of improperly serviced loans. Please see the enclosed correspondence, spreadsheet, and loan servicing records, as identified on the spreadsheet.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this loan servicing appeal is true and correct.

Coralville College has also submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,

Serena Rooney
President, Coralville College

Enclosures

cc: State Guaranty Agency

The letter must include the school's OPE ID number, a statement indicating that the school is submitting a loan servicing appeal, and a reference to the applicable cohort fiscal years to which the loan servicing appeal applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the loan servicing appeal] Loan Servicing Appeal." The letter must also include a certification that the information provided is true and correct under penalty of perjury and a list of any other adjustments and appeals the school intends to submit to DPM. Finally, there must be a notation that the school is sending a copy of the letter and the spreadsheet to the data managers of the relevant loans. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Loan Servicing Appeal Checklists

School to Data Manager

Determine

- ◆ Does the LRDR for the official cohort default rates contain defaulted loans that were improperly serviced for cohort default rate purposes?

Submit to Data Manager

- ◆ LRDR
- ◆ Letter (See sample at end of chapter)
- ◆ Fee for Loan Servicing Records (if required)

Data Manager to School

Determine

- ◆ Was the school submission timely?
- ◆ Does the data manager hold the loans?
- ◆ Is all the material present?
- ◆ Does data manager hold more than 99 loans for school?
- ◆ If so, what is a representative sample of the loans?
- ◆ Is there a fee for the loan servicing records and, if so, how much is it?
- ◆ Has the school paid the fee for loan servicing records (if required)?

Response to School

- ◆ Request for fee
- OR
- ◆ Spreadsheet
 - ◆ Loan Servicing Records
 - ◆ Letter

Follow-up

- ◆ Send copy of response to DPM
- ◆ Send monthly status report to DPM

Loan Servicing Appeal Checklists (continued)

School to DPM

Determine

- ◆ Do the loan servicing records show that the LRDR for the official cohort default rates contains loans that were improperly serviced for cohort default rate purposes?
- ◆ Does the school have outstanding new data adjustment allegations or erroneous data appeal allegations?

Submit to DPM

- ◆ Withdrawal Notice
- OR
- ◆ Copy of Data Manager Loan Servicing Appeal Response.
 - ◆ Copy of Loan Servicing Records.
 - ◆ Letter (See sample letter)