

4.8 Participation Rate Index Appeal

What is a participation rate index appeal?

A school is not subject to a sanction based on its cohort default rates if its participation rate index is 0.0375 or less (for a sanction based on three consecutive cohort default rates of 25.0 percent or greater) or 0.06015 or less (for a sanction based on one cohort default rate over 40.0 percent). In other words, if a school can demonstrate that the number of students who obtain loans is very low in relation to the number of regular students at the school, the school will be able to avoid sanction.

Participation Rate Appeal Timeframe		
Draft Cycle	Not applicable	
Official Cycle	School receives notice of loss of eligibility as part of the official cohort default rate notification package	<i>September</i>
	School sends completed Participation Rate Index Appeal to Default Prevention and Management (DPM)	<i>Within 30 days of timeframe begin date</i>

Which cohort default rate can be used to determine a participation rate index appeal?

A school can submit a participation rate index appeal for any cohort default rates upon which a sanction is based, depending on the sanction to which the school is subject. For example, take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

If a school is subject to sanction due to three consecutive years of an official cohort default rate that is 25.0 percent or greater, the school can submit a participation rate index appeal based on the official cohort default rate for This Year, Last Year, and/or Two Years Ago. If the sanction is due to an official cohort default rate for This Year that is greater than 40.0 percent, the school can submit a participation rate index appeal based on the official cohort default rate for This Year. **These options are illustrated in the following chart.**

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.

Nature of Sanction	This Year	Last Year	Two Years Ago
Three consecutive years of cohort default rates that are 25.0 percent or greater	Yes — Official Cohort Default Rate	Yes — Official Cohort Default Rate	Yes — Official Cohort Default Rate
Current cohort default rate that is greater than 40.0 percent	Yes — Official Cohort Default Rate	No	No

Which schools are eligible to submit a participation rate index appeal?

Only a school that is subject to sanction because of its official cohort default rate may submit a participation rate index appeal. To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

What benefit will a school gain from submitting a participation rate index appeal?

The Department will withdraw a notice of loss of eligibility for a school that submits a successful participation rate index appeal. If a school's participation rate index is 0.0375 or less, the Department will also excuse the school from any subsequent loss of eligibility that would be based on that cohort default rate.

Are participation rate index appeals based on a specific period of time?

The school may base the participation rate index appeal on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the participation rate index appeal. A school subject to sanction because of three consecutive cohort default rates of 25.0 percent or greater can choose to submit a participation rate index appeal based on any of its three most recent official cohort default rates. Therefore, the time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end no earlier than April 1 and no later than September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

A school can select the most beneficial 12-month period available. In other words, a school can identify the acceptable 12-month period during which it had the lowest percentage of borrowers and use that period when calculating its participation rate index.

If a school selects an unacceptable 12-month period, DPM will not review any portion of the school's participation rate index appeal and the participation rate index appeal will be denied. A school may contact DPM at 1-202-377-4259 to discuss whether the school has selected an acceptable 12-month period.

Acceptable 12-Month Periods

Cohort Fiscal Year	Cohort Fiscal Year Start Date	Acceptable 12-Month Period Begins Between	Acceptable 12-Month Period Ends Between
2002	10/01/2001	04/02/2000-10/01/2000	04/01/2001-9/30/2001
2003	10/01/2002	04/02/2001-10/01/2001	04/01/2002-9/30/2002
2004	10/01/2003	04/02/2002-10/01/2002	04/01/2003-9/30/2003
2005	10/01/2004	04/02/2003-10/01/2003	04/01/2004-9/30/2004
2006	10/01/2005	04/02/2004-10/01/2004	04/01/2005-9/30/2005
2007	10/01/2006	04/02/2005-10/01/2005	04/01/2006-9/30/2006

To choose an acceptable 12-month period, a school should first determine which cohort fiscal year the school will use. The school then picks a start date from the range listed in the "Acceptable 12-Month Period Begins Between" column. The end date will be 12 months after the start date, which will fall in the range listed in the "Acceptable 12-Month Period Ends Between" column.

Example: Acceptable & unacceptable periods for cohort fiscal year 2003

12-Month Period	Status	Reason
04/02/2001-04/01/2002	Acceptable	Starts within acceptable range; 12 months later within acceptable range
04/02/2001-04/02/2002	Unacceptable	Starts within acceptable range; ends more than 12 months later
04/01/2001-03/31/2002	Unacceptable	Starts and ends outside acceptable range

How does a school calculate its participation rate index?

After selecting the 12-month period, the school determines the total number of regular students enrolled at least halftime and for at least one day during any part of the 12-month period. It is not necessary for the student's entire enrollment period to fall within the 12-month period. The total number of students is the denominator. The school then determines the total number of those students who borrowed a Federal Family Education Loan (FFEL) or William D. Ford Federal Direct Loan (Direct Loan) for a loan period that overlaps any part of the 12-month period. The total number of borrowers is the numerator.

Total borrowers in 12-month period



Total regular students in 12-month period

A regular student is a student who enrolled or was accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school. To be included in the participation rate index calculation, the borrower must be a student who was enrolled at least halftime and enrolled at least one day during the selected 12-month period.

Once the school has divided the total number of FFEL and Direct Loan borrowers by the total number of regular students, the school multiplies the result by the cohort default rate upon which the school is basing the participation rate index appeal. The result is the participation rate index. A participation rate index is calculated as follows:

$$\frac{\text{Total borrowers in 12-month period}}{\text{Total regular students in 12-month period}} \times \text{School's cohort default rate} = \text{Participation Rate Index}$$

See Chapter 2.1, "How the Rates are Calculated," for information on the formulas used to calculate the cohort default rates.

If a school has fewer than 30 borrowers who entered repayment in the cohort fiscal year for which the participation rate index is calculated, the participation rate index for that cohort fiscal year may be calculated using the cohort default rate that would result from applying either the non-average rate formula, or the average rate formula.

To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

For example, School A's official cohort default rate is 25.0 percent. School A's two most recent official cohort default rates were 26.0 percent and 28.0 percent. As a result, School A is subject to sanction because it has three consecutive official cohort default rates that are 25.0 percent or greater.

School A decides to base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School A had a total of 200 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of those 200 students, 31 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School A's participation rate index is 0.03875.

$$\frac{31 \text{ borrowers}}{200 \text{ regular students}} \times 25.0 \text{ cohort default rate} = 0.03875$$

Because the participation rate index is greater than 0.0375, School A's participation rate index appeal would be unsuccessful.

As another example, School B's official cohort default rate is 50.0 percent. School B's two most recent official cohort default rates were 20.0 percent and 31.0 percent. As a result, School B is subject to sanction only because of an official cohort default rate that is greater than 40.0 percent.

School B should base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School B had a total of 100 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of these 100 students, 10 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School B's participation rate index is 0.05.

$$\frac{10 \text{ borrowers}}{100 \text{ regular students}} \times 50.0 \text{ cohort default rate} = 0.05$$

Because the participation rate index is less than 0.06015, School B's participation rate index appeal would be successful. However, if School B's two most recent official cohort default rates are 25.0 percent and 31.0 percent, School B is also subject to sanction because it will have three consecutive official cohort default rates that are 25.0 percent or greater. In that event, the participation rate index would have to be 0.0375 or less for the participation rate index appeal to be successful.

Does a school need to wait until the official cohort default rate is released to prepare its participation rate index appeal?

If a school is submitting a participation rate index appeal using a previous cohort fiscal year's official cohort default rate, it can prepare a complete participation rate index appeal before it receives its current year official cohort default rate.

If a school is submitting a participation rate index appeal using the current cohort fiscal year, it cannot perform the final step in the process (multiplying the participation ratio by the official cohort default rate) until the school receives its official cohort default rate. However, a school can perform the initial steps to identify the data to include in the calculation before it receives its official cohort default rate if it believes its current cohort fiscal year official cohort default rate will incur sanctions. In that way, a school can save time when it receives its official cohort default rate.

What roles do the Department and data managers have in a school's participation rate index appeal?

Schools submit participation rate index appeals directly to DPM for review and consideration. DPM is responsible for determining whether schools meet the established participation rate index criteria. Therefore, there is no role for data managers.

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>.

If a school submits an appeal to the wrong entity or address, the appeal might not be reviewed and the school could miss the deadline for submitting the appeal to DPM.

If a data manager receives a participation rate index appeal from a school, it should immediately contact the school to inform it that the appeal must be sent to DPM. The data manager should also indicate that the request must be sent to DPM within the 30-calendar-day timeframe. The data manager should then notify DPM that the data manager has contacted the school.

What materials must a school submit as part of a participation rate index appeal?

Timing is critical when submitting a participation rate index appeal. A school must submit a participation rate index appeal to DPM within 30 calendar days of the school's timeframe begin date. The participation rate index appeal must include a letter on the school's letterhead (see sample letter at the end of this chapter).

If a school does not have any students who received FFELs or Direct Loans with loan periods that overlapped any part of the selected 12-month period, the school does not have to submit a spreadsheet to DPM. However, to avoid sanctions, the school's letter to DPM must identify the 12-month period and indicate that the school did not have any students who received loans with loan periods that overlapped the 12-month period.

If the school is required to submit a participation rate index appeal spreadsheet, it should use the format shown in the sample spreadsheet below. Using the information on the spreadsheet and the participation rate index formula, a school must calculate its participation rate index. As mentioned, to avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less. If both sanctions apply, the participation rate index must be 0.0375 or less.

Sample Participation Rate Index Appeal Spreadsheet

Type: Participation Rate Index Appeal
 Cohort FY: 2004
 From: Graphic Tech
 Code 099999
 To: Default Prevention and Management
 Code: NA

Cohort Default Rate: 50.0%
 12-Month Period: 9/01/2002 – 08/31/2003
 Total Borrowers: 2
 Total Regular Students: 50
 PRI: 0.02

	A	B	C	D	E
	Student's SSN	Student's Name	Student's Enrollment Dates	Loan Type (if any)	Loan Period
1					
2	111-11-1111	Ross, Betsy	08/15/2002 - 05/25/2003	FFEL	08/15/2002 - 05/26/2003
3	222-22-2222	Adams, John	05/15/2002 - 05/26/2003	DL	08/15/2002 - 12/30/2003
4	333-333-3333	Washington, Martha	08/15/2002 - 12/30/2003	No	N/A

Date 10/13/2006

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

Schools are not required to submit an independent auditor's attestation to support the school's participation rate index appeal.

If a school is submitting a participation rate index appeal for multiple cohort default rates, it should submit all the participation rate index appeals in the same mailing to DPM. However, the school still needs to submit separate documentation for each participation rate index appeal.

How a school submits a Participation Rate Index 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 response. 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 participation rate index 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 participation rate index appeal?

DPM will review, using the standard of review described in 34 CFR 668.189(f), only the information submitted with the participation rate index appeal and will not review information submitted after the 30-calendar-day deadline. DPM will send the school written notification of DPM's decision. DPM's decision is final and no further administrative review is provided.

If the school was notified that it was subject to sanction and the participation rate index appeal is successful, DPM will withdraw the notice of loss of eligibility. If the school's recalculated participation rate index is 0.0375 or less, the school will not be subject to a subsequent sanction based on that official cohort default rate. If the school was notified that it was subject to sanction and the participation rate index appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, DPM will notify the school of the effective date of the 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:
Participation Rate Index Appeal
School to Default Prevention and Management**



U.S. Department of Education
Default Prevention and Management
ATTN: Participation Rate Index Appeal
400 Maryland Avenue, S.W.
Washington, D.C. 20202-5353

OPEID: 099999

Subject: Cohort FY 2004 Participation Rate Index Appeal

To Whom It May Concern:

Graphic Tech, OPEID 099999, is submitting a participation rate index appeal based on our cohort FY 2004 official cohort default rate. Our participation rate index is 0.02. This index is calculated using a 12-month period that began on September 1, 2002 and ended on August 31, 2003. I, the undersigned, certify under penalty of perjury that all information submitted in support of this participation rate index appeal is true and correct.

Graphic Tech is submitting its participation rate index appeal at this time; however, the school has also timely submitted an uncorrected data adjustment.

Please see the enclosed spreadsheet.

Thank you for your consideration.

Sincerely,

Alexander Pechum
President, Graphic Tech

The letter must include the school's OPE ID number, a statement indicating that the school is submitting a participation rate index appeal, the relevant cohort fiscal years on which the appeal is based, a certification that the information provided is true and correct under penalty of perjury, and a list of the other adjustments or appeals the school intends to submit to DPM. The school must also note its participation rate index and the 12-month period the school selected. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Participation Rate Index Appeal. 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.

Participation Rate Index Appeal Checklists

School to Default Prevention and Management

Determine

- ◆ Is the school subject to sanction?
- ◆ What is the school's participation rate index?

Submit to DPM

- ◆ Letter (See sample on next page).
- ◆ Spreadsheet, if required