

Draft Data Challenge



This section is divided into two parts. The first part (pages 73 through 91) provides background information on the draft data challenge and outlines the process and procedures for submitting a draft data challenge. The second part (pages 92 through 98) provides an example of a situation that would warrant the submission of a draft data challenge and sample material as it would pertain to a draft data challenge.

To understand the draft data challenge process, the U.S. Department of Education (Department) recommends that the reader review both parts of this section.

PART I: Background, Process, and Procedures

QUALIFYING

What is a draft data challenge?

After the release of the draft cohort default rates, the Department provides schools an opportunity to review the draft cohort default rate data and, if necessary, work with the entity responsible for the loans included in the draft cohort default rate data to correct any errors. The process of correcting data included in the draft cohort default rates is called a draft data challenge. Since the draft data forms the basis for a school's official cohort default rate, it is important that a school review its draft cohort default rate data and if necessary submit a draft data challenge.

Which schools are eligible to submit a draft data challenge?

All schools, regardless of their cohort default rate, are provided the opportunity to review draft cohort default rate data and challenge the data. This includes schools with draft cohort default rates below 25.0 percent.

Which cohort default rates may a school challenge?

A school can only directly challenge the most recent (i.e., FY 1999) draft cohort default rate data. Schools that have 29 or fewer borrowers entering repayment are also limited to challenging only the current year's draft data.

Why should a school challenge its draft data?

Challenging draft cohort default rate data enables a school to request a correction to what it believes to be **inaccurate data** contained in the school's draft data.

It is important to correct inaccurate data through the draft data challenge process because:

- **a school will not have a second opportunity to challenge and correct the data;** therefore, the school needs to ensure that no discrepancies exist between the school's records, information obtained from outside sources, and the draft loan record detail report;

AND

- **the loan information included in the draft cohort default rate will be used to calculate the school's official cohort default rate;** therefore, it is critical to ensure the data is accurate since official cohort default rates can result in certain sanctions against the school or benefits for the school;

AND

Q. If a school receives a draft loan record detail report but has officially withdrawn from the FFEL Program and/or Direct Loan Program, should the school review the draft cohort default rate data?

A. Yes. All schools that have borrowers entering repayment in a given fiscal year will receive draft data information and should review the data to ensure its accuracy. It is important to correct any errors found in the draft data because a school will not be given another chance to challenge and correct these errors. In addition, the school may be subject to certain consequences after the release of the official cohort default rates even if the school is no longer participating in the FFEL Program and/or Direct Loan Program.

- **it will preserve a school's right to submit an uncorrected data adjustment** if the agreed upon changes are not correctly shown in the official cohort default rates;
- AND
- **it will preserve a school's right to submit an erroneous data appeal on the basis of disputed data** if the school is subject to sanctions after the release of the official cohort default rates.¹

What if a school does not challenge inaccurate draft data?

If a school fails to challenge inaccurate data in the draft loan record detail report, it may NOT challenge the inaccurate data at any other time.

In addition, under the Department's regulations, a school subject to consequences associated with its official cohort default rates will lose its right to submit an erroneous data appeal on the basis of disputed data if the inaccuracies in question were present in the draft cohort default rate data, but the school failed to submit a challenge of those inaccuracies during the opportunity provided immediately following the release of the draft cohort default rate data.²



Even if a school does NOT challenge any inaccurate draft data immediately following the release of the draft cohort default rate data, the school's official cohort default rate may be **different** from the school's draft cohort default rate since the National Student Loan Data System (NSLDS) is regularly updated with new information from several sources. These changes are referred to as **new data** in the official cohort default rate. Beginning with the release of the FY 1998 official cohort default rates, new data may be addressed by all schools.

For additional information on addressing new data, refer to the *Cohort Default Rate Guide*, which will be mailed to schools with the FY 1999 official cohort default rates.

¹ 34 CFR Section 668.17(j)(3)(v), 64 Federal Register 58974, 58981 (November 1, 1999) (Preamble to Final Rule)

² Id.

What is inaccurate data?

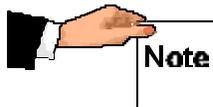
The term “inaccurate data” refers to information in a school’s loan record detail report that is incorrect. Inaccurate data can also be loan information that was incorrectly excluded from the loan record detail report.

Inaccurate data may be identified if, in reconciling a school’s draft loan record detail report against the school’s records and information from outside sources, the school discovers that:

- a student is **reported incorrectly** in the cohort default rate calculation;
- AND/OR
- ◆ a student was **incorrectly omitted** from the calculation.

What should a school do if it believes there are inaccuracies in its draft data?

If a school believes there are inaccurate data in the draft cohort default rate data, it should submit a draft data challenge to the entity responsible for the loan. The entity responsible for the loan is identified by the guarantor/servicer code that is reported on the loan record detail report for the loan in question.



The entities identified by the **guarantor/servicer codes** in the loan record detail report includes guaranty agencies, the Department’s Default Management office, and the Department’s Direct Loan servicer. “Appendix A” identifies the entity associated with each guarantor/servicer code as shown on page 49.

Please refer to the “Timing and Submitting” portion of this section for detailed information on submitting a draft data challenge.

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

A guaranty agency is required to respond to a school’s timely submitted draft data challenge for those FFEL Program loans for which the agency currently maintains the guaranty.³



A listing of the codes for the guaranty agencies and the addresses to send the draft data challenges is provided in “Appendix A.”

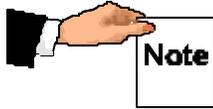
Q. If a loan is considered in default due to the default of a consolidation loan, to which entity should the school submit its challenge – the entity that guaranteed/originated the original loan or the entity that guaranteed/originated the consolidated loan?

A. If the school is challenging the date the original loan entered repayment, it should address its challenge to the entity identified by the guarantor/servicer code on the loan record detail report for the original loan. If the school is challenging the default status of the consolidation loan, it should address its challenge to the entity identified by the guarantor/servicer code on the loan record detail report for the consolidated loan.

The same entity is not always responsible for both loans.

³ 34 CFR Section 668.17(j)(3)(ii), 64 Federal Register 58974, 58981 (November 1, 1999) (Preamble to Final Rule)

The agency must respond to the school's draft data challenge request within **30 calendar days** of receiving the request. If the guaranty agency does not respond within **30 calendar days**, the school should advise the Department's Default Management office in writing of the delay.



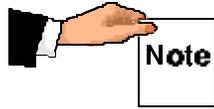
In its response to a school's request, the guaranty agency will address each of the school's allegations of inaccurate data. However, the guaranty agency is **NOT** required to respond to a draft data challenge if the 45 calendar day time frame for a school to submit such requests has expired.

Please refer to the "Information for Guaranty Agencies on Challenges" section beginning on page 123 for more information on guaranty agency responsibilities and the "Timing and Submitting" portion of this section beginning on page 86 for more information on the time frames associated with draft data challenges.

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 Direct Loan Program loans.

- The **Department's Default Management office** is responsible for responding to schools' inquiries regarding **FFEL Program loans that are currently held by the Department**. These loans are identified in the loan record detail report with a guarantor/servicer code of **555**. The address to submit a draft data challenge to the Department's Default Management office is provided in "Appendix A."
- The **Department's Direct Loan servicer** is responsible for responding to schools' inquiries regarding **ALL Direct Loan Program loans**. These loans are identified in the loan record detail report with a guarantor/servicer code of **0101**. The address to submit a draft data challenge to the Department's Direct Loan servicer is provided in "Appendix A."



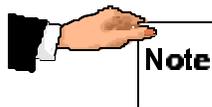
Even though the **Current Lender/ Servicer/Holder** code for defaulted Direct Loan Program loans is **555**, ALL inquiries regarding Direct Loan Program loans must be directed to the Direct Loan servicer.

The Department also reviews guaranty agency responses to schools' draft data challenges to ensure that the 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 were 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.

What if a school's draft data challenge is sent to the wrong entity?

If a school submits a draft data challenge to the wrong entity, the draft data challenge will NOT be reviewed and the school could miss the deadline for challenging the draft data.

A draft data challenge should be submitted to the entity responsible for the loan. The entity responsible for a loan is identified by the **guarantor/servicer code**, which is provided for each loan on the school's loan record detail report. Please refer to page 49 of the "Loan Record Detail Report" section for information on the location of the guarantor/servicer code on the loan record detail report. Guaranty agency/servicer contact information is listed numerically and alphabetically in "Appendix A." A school should submit a draft data challenge to the addresses listed in "Appendix A."



A school should only send its draft data challenge to the Department's Default Management office if the school is challenging FFEL Program loan data included in the loan record detail report with a guarantor/servicer code of 555.

What types of allegations may a school submit as a part of a draft data challenge?

The following are examples of various types of allegations of inaccurate data a school may submit as a part of its draft data challenge.

•• **Borrower is missing from cohort default rate calculation**

If a school believes that a borrower was incorrectly excluded from the cohort default rate calculation, it should include documentation in its challenge to prove the borrower's last day of attendance and the correct date entered repayment, along with proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency/Direct Loan servicer or the National Student Loan Data System (NSLDS), as required.

Please refer to page 20 of the "Cohort Default Rate Calculation" section for information on which borrowers should be included in the cohort default rate calculation and page 50 of the "Loan Record Detail Report" section for information on identifying how borrowers are used in the cohort default rate calculation.

•• **Loan duplicated in cohort default rate calculations**

If a school believes that the same loan is reported in two different years of cohort default rate calculations, it should include documentation in its challenge to prove the borrower's last day of attendance and the correct date entered repayment, as well as proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency/Direct Loan servicer or NSLDS, as required. In addition, the school should provide the pages of the loan record detail reports from the two separate years of cohort default rate calculations to demonstrate that the loan was duplicated.

Q. If a loan is considered in default due to the default of a consolidation loan, to which entity should the school submit its challenge – the entity that guaranteed/originated the original loan or the entity that guaranteed/originated the consolidation loan?

A. If the school is challenging the date the original loan entered repayment, it should address its challenge to the entity identified by the guarantor/servicer code on the loan record detail report for the original loan. If the school is challenging the default status of the consolidation loan, it should address its challenge to the entity identified by the guarantor/servicer code on the loan record detail report for the consolidation loan.

The same entity is not always responsible for both loans.

Please refer to the "Special Circumstances Affecting How Cohort Default Rates Are Calculated" chart on page 25 of the "Cohort Default Rate Calculation" section for information on multiple loans for one borrower and page 50 of the "Loan Record Detail Report" section for information on identifying how borrowers are used in the cohort default rate calculation.

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Loan reported with an incorrect date entered repayment

If a school believes that the date entered repayment for a loan listed on the loan record detail report is incorrect, it should include documentation in its challenge to prove the borrower's last day of attendance and the correct date entered repayment, as well as proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency/Direct Loan servicer or NSLDS, as required.

Please refer to page 20 of the "Cohort Default Rate Calculation" section for information on determining the correct date entered repayment and page 48 of the "Loan Record Detail Report" section for information on the location of the date entered repayment on the loan record detail report.

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Borrower received an insufficient grace period or delinquency period

If a school believes that a borrower received an insufficient grace period or delinquency period, the school should determine if the borrower's date entered repayment and/or claim paid date for FFEL Program loans and/or default date for Direct Loan Program loans are correct. If the date entered repayment and/or claim paid date/default date are incorrect, the school should include documentation in its challenge to prove the correct date entered repayment and/or claim paid date/default date and, in the case of the date entered repayment, proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency/Direct Loan servicer or NSLDS, as required.

Please refer to pages 20 through 32 of the "Cohort Default Rate Calculation" section for information on calculating the date entered repayment and for information on the parameters of the claim paid date/default date, and page 48 of the "Loan Record Detail Report" section for information on the location of the date entered repayment and claim paid date/default date on the loan record detail report.

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Loan incorrectly converted using date-specific and/or month-specific methodology

If the school believes a lender failed to use date-specific methodology to convert an FFEL Program loan into repayment, the school should submit the allegation as a part of its challenge. The school should include documentation in its challenge to prove the borrower's last day of attendance and the correct date entered repayment, as well as proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency or NSLDS, as required.

Please refer to page 20 of the "Cohort Default Rate Calculation" section for information on calculating the date entered repayment and page 48 of the "Loan Record Detail Report" section for information on the location of the date entered repayment on the loan record detail report.

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Federal SLS loan and FFEL Program Stafford loan entered repayment at different times

If a school believes a Federal SLS loan and an FFEL Program Stafford loan, with different repayment dates, were given during the same period of continuous enrollment and should have the same repayment dates, the school should include documentation in its challenge to prove that the loans have different repayment dates and documentation demonstrating that the loans were given during the same period of continuous enrollment.

Please refer to page 21 of the "Cohort Default Rate Calculation" section for information on how to determine the repayment dates for Federal SLS and FFEL Stafford loans given during the same period of continuous enrollment and page 48 of the "Loan Record Detail Report" section for information on the location of the date entered repayment on the loan record detail report.

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Cancelled loans included in the cohort default rate calculation

If a school believes that a loan included in the cohort default rate calculation has been cancelled, it should include documentation in its challenge to prove that the loan was never disbursed or was fully refunded within 120 days of disbursement.

Please refer to the "Special Circumstances Affecting How Cohort Default Rates Are Calculated" chart on page 29 of the "Cohort Default Rate Calculation" section for information on the exclusion of cancelled loans from the cohort default rate calculation and page 50 of the "Loan Record Detail Report" section for information on identifying how borrowers are used in the cohort default rate calculation.

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Discharged loans included as defaulted loans in the cohort default rate calculation

If a school believes that a loan reported as a defaulted loan in the cohort default rate calculation was discharged due to death, bankruptcy, and/or disability PRIOR to defaulting, it should include documentation in its challenge to prove that the loan was discharged prior to defaulting and proof that the lender/guaranty agency/Direct Loan servicer was timely notified of the incident that resulted in the discharge.

Please refer to the "Special Circumstances Affecting How Cohort Default Rates are Calculated" chart on pages 27 and 28 of the "Cohort Default Rate Calculation" section for information on the exclusion of discharged loans due to death, bankruptcy, and/or disability from the cohort default rate calculation and page 50 of the "Loan Record Detail Report" section for information on identifying how borrowers are used in the cohort default rate calculation.

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Defaulted loan was repurchased by the lender

If a school believes that a defaulted loan was repurchased by the lender and should be removed from the cohort default rate calculation, the school should determine why the loan was repurchased.

- ❖ If the loan was repurchased by the lender because the guaranty agency determined that the lender failed to meet the insurance requirements, the loan is an **uninsured loan** and should not be included in the cohort default rate calculation. A school should request that the loan be completely removed from the cohort default rate calculation.
- ❖ If the loan was repurchased following the payment on a claim because the lender incorrectly submitted the loan to the guaranty agency and the lender **immediately** requested the loan be returned and a subsequent claim was not paid on the loan within the cohort period in question, the loan should not be included in the numerator of the cohort default rate calculation. The school should request that the loan be removed from the numerator of the cohort default rate calculation.

- ❖ If the loan was repurchased following the payment of a claim because the borrower established a **new payment plan** and was making payments or if the lender/servicer simply requested the repurchase (i.e., a courtesy repurchase), the school should request that the loan be removed from the numerator of the cohort default rate calculation **ONLY** if the loan was **successfully rehabilitated** in accordance with the criteria described in the footnote of the "Special Circumstances Affecting How Cohort Default Rates are Calculated" chart on page 30 in the "Cohort Default Rate Calculation" section.

Please refer to the "Special Circumstances Affecting How Cohort Default Rates Are Calculated" chart on pages 31 and 32 of the "Cohort Default Rate Calculation" section for information on repurchased loans, and page 50 of the "Loan Record Detail Report" section for information on identifying how a loan is used in the cohort default rate calculation.

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Direct Loan counted as in default due to income-contingent repayment (ICR) plan negative amortization status *(for non-degree granting proprietary schools only)*

If a loan has been included as a defaulted loan in the cohort default rate calculation with a claim reason code of "IN" (see page 23 describing the treatment of certain loans in repayment under the Direct Loan Income Contingent Repayment (ICR) plan as defaulted), the school should include that loan in its draft data challenge. By including the loan in its challenge, the school is asking the Direct Loan servicer to verify that the criteria for including the loan as defaulted have been met. If the Direct Loan servicer concludes, based on its review, that the loan's status has been determined accurately, and the loan meets the criteria to be counted as a defaulted loan, the Direct Loan servicer will send the school the loan's ICR repayment record. The school then reviews that record and, if it disagrees or questions the Direct Loan servicer's determination, the school may request clarification from the Direct Loan servicer under the procedures described on page 90.

Q. Does the ICR plan negative amortization status, resulting in defaulted loans apply to all schools?

A. No. The ICR plan negative amortization status, resulting in defaulted loans **ONLY** applies to non-degree granting proprietary schools and in addition, **ONLY** the Direct Loan servicer is involved.

Please refer to page 23 of the “Cohort Default Rate Calculation” section for the inclusion of Direct Loans counted as default because of ICR repayment plans resulting in negative amortization; pages 48 and 50 of the “Loan Record Detail Report” section for information on identifying the loan’s claim reason code and identifying how a loan is included in the cohort default rate calculation; and, the “Timing and Submitting” portion of this section beginning on page 86 for more information on this process.

Listed above are some, but not all, of the allegations a school may identify.

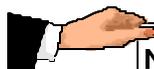


Note

If the documentation submitted by the school as a part of its draft data challenge allegations was never originally submitted to the guaranty agency/Direct Loan servicer or lender, or was not submitted in a timely manner, the guaranty agency/Direct Loan servicer may respond that the data in question was determined based on the best information available at the time, and, as a result, for cohort default rate purposes, no change is warranted.

How can a draft data challenge affect a school's official cohort default rate?

If, as a result of a draft data challenge, it is determined that the cohort default rate data is inaccurate, and the entity responsible for the inaccurate data correctly agrees to make a change to the school's cohort default rate data, the school's official cohort default rate should reflect the change correctly agreed to in the draft data challenge process. The change to the cohort default rate data may **lower, raise, or not affect** any of a school's three most recent official cohort default rates.



Note

If the agreed upon changes are not reflected in the official cohort default rate, a school may submit a request for adjustment after the release of the official cohort default rates.

Please refer to the next *Cohort Default Rate Guide*, which will be released with the FY 1999 official cohort default rates for additional information on this process.

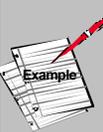
TIMING AND SUBMITTING

How does a school submit a draft data challenge?

Timing is critical when submitting a draft data challenge.



Time frames may overlap. Read ALL steps.



Please refer to page 93 for an example of inaccurate data.

Q. How does a school determine which entity is responsible for responding to a school's allegation regarding a specific loan?

A. The entity represented by the guarantor/servicer code on the loan record detail report for the loan in question is responsible for responding to the allegation.

Please refer to page 49 of the "Loan Record Detail Report" section for detailed guidance on locating the guarantor/servicer code on the loan record detail report.

The names and addresses of the entities identified by the guarantor/servicer code can be found in "Appendix A."

Step 1: Within **45 calendar days**⁴ of receipt of the hardcopy draft cohort default rate data, **review the draft loan record detail report to determine if:**

- a student is **reported incorrectly** in the draft cohort default rate calculation;
- AND/OR
- a student was **incorrectly omitted** from the draft cohort default rate calculation.

Please refer to page 76 for a definition of inaccurate data and pages 79 through 85 for types of allegations a school may identify.

Step 2: Within the time frames described in Step 1 (i.e., within 45 calendar days of receipt of the hardcopy draft cohort default rate data), **prepare a draft data challenge for each guarantor/servicer code identified on the loan record detail report for which the school alleges errors.**

A challenge **MUST** include the following items:

- A **letter** on the school's letterhead addressed to **each appropriate entity** responsible for responding to a school's allegation regarding a loan for which the school alleges errors.

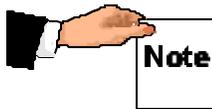
⁴ 34 CFR 668.17(j)(3)(i), 64 Fed. Reg. 58974, 58981 (November 1, 1999) (Preamble to Final Rule)

This letter should include –

- ❖ the school’s **OPE ID** number;
- ❖ a **statement** indicating that the school is submitting a draft data challenge;
- ❖ the **fiscal year** to which the draft data challenge applies;

AND

- ❖ a **signature** by the school’s President/CEO/Owner followed by a signature block providing the signer’s name and job title.

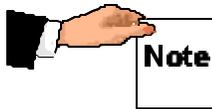


Complete a separate letter for **each appropriate entity** responsible for responding to a school's allegation regarding a loan.

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A **spreadsheet** that lists the inaccurate data associated with each entity responsible for responding to the draft data challenge.

Record all inaccurate data on the **FY 1999 Draft Data Challenge** spreadsheet.



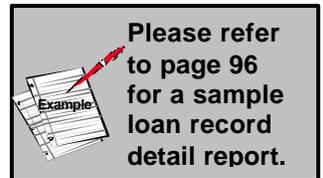
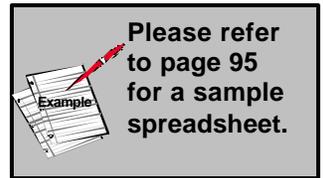
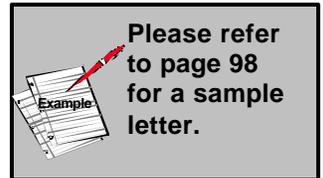
Complete a separate spreadsheet for **each appropriate entity** responsible for responding to a school's allegation regarding a loan.

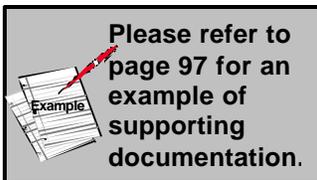
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Copies of the appropriate pages from the relevant **loan record detail report(s)**.

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

- ❖ Include the page of the loan record detail report where the borrower appears or where the borrower should appear. Provide both pages of the loan record detail report if the borrower belongs at the end of one page or at the beginning of the next page.





- ❖ If the borrower is being moved from one cohort period to another, 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.

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Relevant **supporting documentation** including, but not limited to:

- ❖ a signed and dated copy of a **letter** to the relevant lender, guaranty agency, and/or servicer that informs the entity of the student's last date of attendance and proof that the letter was timely submitted;

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;
- ❖ a signed and dated copy of a **Student Status Confirmation Report (SSCR)** sent to a guaranty agency that confirms the student's last date of attendance and proof that the SSCR was timely submitted;

AND/OR

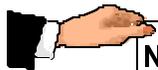
- ❖ a screen print from the SSCR function within **NSLDS** that confirms the student's last date of attendance was timely recorded within NSLDS.

Step 3: Within the time frames described in Step 1 (i.e., within 45 calendar days of receipt of the hardcopy draft cohort default rate data), **submit the draft data challenge(s) to the appropriate entity(ies)** responsible for responding to the allegations of inaccurate data, as identified by the guarantor/servicer code on the loan record detail report.

When submitting a draft data challenge to an entity, please refer to the addresses in "Appendix A."

The Department recommends that the school submit its completed draft data challenge on school letterhead, with the spreadsheet, the loan record detail report information, and supporting documentation described in Step 2. The challenge should be compiled in a single tabbed binder and mailed return receipt requested or via overnight courier delivery to the appropriate entity.

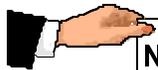
A school should maintain copies of all draft data challenge cover letters, spreadsheets, loan record detail reports, and supplemental documents included in a school's draft data challenge(s). The Department recommends that the school also maintain documentation verifying receipt by the appropriate entity(ies) of all draft data challenge material.



Note

If a school does not meet the **45 calendar day** time frame for submitting a draft data challenge, the school's draft data challenge will not be reviewed.

The recommended tabs and materials for a draft data challenge are listed on the next page.



Note

Draft data challenges are **NOT** sent to the Department's Default Management office **UNLESS** the school is challenging an FFEL Program loan that is currently held by the Department (i.e., an FFEL Program loan with a guarantor/servicer code of 555 found in the loan record detail report.)

The entity must respond to a school's draft data challenge within 30 calendar days of receiving the school's draft data challenge response.



Due date for submitting the challenge to the Department.

Q. If an entity disagrees with a school's allegations, will it provide supporting documentation to support its decision?

A. Yes. Anytime an entity disagrees with a school's allegation, it will provide, in its response, supporting documentation to support its decision.

In addition, the Direct Loan servicer will include, in its draft data challenge response, *for non-degree granting proprietary schools only*, a copy of the ICR repayment record if the Direct Loan servicer verifies that the loan is correctly considered in default.

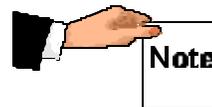


If the Direct Loan servicer verifies, in its draft data challenge response, that the loan is **correctly considered in default** under the income contingent repayment plan, the Direct Loan servicer will send the borrower's ICR repayment record to the school.

However, if the Direct Loan servicer concludes that the loan **should NOT be considered in default** under the income contingent repayment plan, the Direct Loan servicer will NOT send the school the borrower's ICR repayment record to the school.

Please note that this is a new process only for **non-degree granting proprietary schools** and only with the **Direct Loan servicer**.

Step 4: **Submit any subsequent inquiries** to the appropriate entity within **5 working days** of the receipt of the entity's initial response and send a copy of the subsequent inquiry letter to the Department.



Subsequent inquiries are not an opportunity for a school to provide additional supporting documentation or to submit additional allegations. The inquiries are allowed solely for a school to gain clarification based on information that was timely submitted as a part of the draft challenge process.

The entity must respond to a school's subsequent inquiry within **5 working days** of receiving the school's subsequent inquiry.

The following should be sent to each entity responsible for responding to a school's draft data challenge.

<p>The section behind Tab 1 contains:</p> <p>A letter on the school's letterhead with—</p> <ul style="list-style-type: none"> •• the school's OPE ID number; •• a statement indicating that the school is submitting a draft data challenge; •• the fiscal year to which the draft data challenge applies; <p>AND</p> <ul style="list-style-type: none"> •• the signature of the school's President/CEO/Owner, followed by a signature block providing the signer's name and job title. <p>Please refer to page 98 for the FY 1999 Draft Data Challenge sample letter.</p>	<p>Tab 1</p>
<p>The section behind Tab 2 contains:</p> <p>A list, in spreadsheet format, of the school's alleged data errors in the draft cohort default rate.</p> <p> Fill out a separate spreadsheet for each entity responsible for responding to one or more draft data challenge allegations.</p> <p>Please refer to pages 94 and 95 for a sample spreadsheet and detailed instructions on how to create the FY 1999 Draft Data Challenge spreadsheet.</p>	<p>Tab 2</p>
<p>The section behind Tab 3 contains:</p> <p>Relevant pages of pertinent loan record detail reports.</p> <p>Please refer to pages 87 and 88 for information on which pages of loan record detail reports should be included as a part of the challenge.</p>	<p>Tab 3</p>
<p>The section behind Tab 4 contains:</p> <p>Relevant supporting documentation.</p> <p>Please refer to page 88 for information on the types of supporting documentation that should be included as a part of the challenge.</p>	<p>Tab 4</p>



The Department recommends that a school send all challenge 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 challenge. A school should maintain the documentation which verifies the receipt of the challenge related material. In addition, a school should retain copies of all documentation submitted as a part of the challenge process.

PART II: Examples and Sample Material

Part II of the "Draft Data Challenge" section outlines a situation in which a school would benefit from submitting a draft data challenge. This part also provides sample material that should be referenced by a school when compiling the material that must be submitted by a school during the draft data challenge process.

CONTENT REFERENCE FOR PART II

EXAMPLE of a situation that warrants the submission of a Draft Data Challenge	93
Draft Data Challenge SPREADSHEET INSTRUCTIONS	94
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Sample Draft Data Challenge SUPPORTING DOCUMENTATION	97
Sample Draft Data Challenge LETTER	98

EXAMPLE of a situation that warrants the submission of a Draft Data Challenge

After receiving its FY 1999 draft cohort default rate data, Electrical Training Institute found two inaccuracies between its records and the information shown on the FY 1999 draft loan record detail report. One alleged error was based on an FFEL Program loan currently held by the State Guaranty Agency. The other alleged error was based on a Direct Loan Program loan. Because different entities were responsible for responding to the allegations based on the loans in question, Electrical Training Institute prepared two separate draft data challenges, one for the State Guaranty Agency and one for the Direct Loan servicer.

Draft Data Challenge for the State Guaranty Agency

Within 45 calendar days of receiving its FY 1999 draft cohort default rate data, the school:

- reviewed the draft loan record detail report (please refer to the Sample LOAN RECORD DETAIL REPORT on page 96) and determined that an **inaccuracy** occurred;

According to Electrical Training Institute's records and information from outside sources, both of David Smith's loans are incorrectly included in both the numerator and denominator of the FY 1999 cohort default rate. Electrical Training Institute's records show that David had two Stafford loans guaranteed by State Guaranty Agency, his last date of attendance was November 12, 1997, his date entered repayment was May 13, 1998, and he entered repayment during the FY 1998 cohort period. Because, according to the school's records, David entered repayment in the FY 1998 cohort period and did not default within the FY 1998 cohort period, Electrical Training Institute believes the loan should be removed from the FY 1999 cohort default rate calculation and counted in the denominator of the FY 1998 cohort default rate calculation.
 - prepared a SPREADSHEET that outlined the inaccuracies associated with David's loan (please refer to the Sample Draft Data Challenge SPREADSHEET on page 95);
 - made a copy of the page of the FY 1999 **Draft** LOAN RECORD DETAIL REPORT demonstrating that the loan was included in the FY 1999 draft cohort default rate data and made a copy of the page from the FY 1998 **Official** LOAN RECORD DETAIL REPORT demonstrating that the loan was not included in the FY 1998 cohort default rate calculation (please refer to the Sample LOAN RECORD DETAIL REPORTS on page 96);
 - made copies of the SUPPORTING DOCUMENTATION, which included a copy of the letter sent to the State Guaranty Agency notifying the agency of David's last date of attendance and a copy of the certified receipt verifying that the letter was timely mailed (please refer to the Sample SUPPORTING DOCUMENTATION on page 97);
- AND
- prepared a LETTER to State Guaranty Agency for its draft data challenge (please refer the Sample Draft Data Challenge LETTER on page 98).

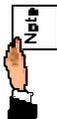
On February 2, 2001, Electrical Training Institute then mailed the Draft Data Challenge MATERIAL via overnight courier to the State Guaranty Agency at the address found in "Appendix A."

Draft Data Challenge SPREADSHEET INSTRUCTIONS

- Column 1:** Enter the borrower's Social Security number (SSN) using hyphens to separate the numbers (for example, 000-00-0000)
- Column 2:** Enter the borrower's name.
- Column 3:** Enter the number and type of loan(s). Use the following codes:

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

Record all loans being challenged with the relevant entity identified by the guarantor/servicer code on the loan record detail report using a spreadsheet software application such as Excel or Lotus 1-2-3.

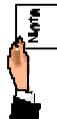


Fill out a separate spreadsheet for each entity responsible for responding to one or more draft data challenge allegations.

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 1999 Draft Data Challenge** in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, the guarantor/servicer code and guaranty agency/Direct Loan servicer name associated with the allegation, and the number of borrowers and loans associated with the borrowers on the list.

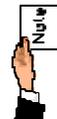
Footer: Enter the date in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages.



Only the allegations listed on the school's spreadsheet will be reviewed. **If a borrower has multiple loans that may contain inaccuracies, a school must enter data for each loan for the borrower.**

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 is challenging.



A school should enter dates on the spreadsheet based on the school's records. A school should NOT include dates based on the loan record detail report or guaranty agency and/or Direct Loan servicer if it believes those dates are incorrect.

Column 4: Enter MM/DD/CCYY (month, day and year) to identify the earlier date of the student's LDA (last date of attendance) or the LTH (less-than-half-time) according to the school's records and outside sources.

Column 5: Enter MM/DD/CCYY to identify the DER (date the loan entered repayment) according to the school's records and outside sources.

Column 6: Enter MM/DD/CCYY or MM/CCYY to identify the CPD (claim paid date), DD (default date), or ICRD (Income Contingent Repayment date) according to the school's records and outside sources.

Column 7: Enter the fiscal year(s) of the cohort default rate(s) which may be changed as a result of the data correction.

Column 8: Enter N (numerator), D (denominator), or B (both numerator and denominator), accompanied by a plus or minus sign (such as +D or -D) to show how the school believes the information will affect the cohort default rate calculation.

Column 9: Enter any comments.

Column 10: Enter the appropriate guarantor/servicer code found on the loan record detail report. Each spreadsheet should only contain loans for a single entity that is responsible for responding to draft data challenges.

Electrical Training Institute
 OPE ID Number: 111111
 Guarantor/servicer code: 111
 State Guaranty Agency
 Number of borrowers : 1
 Number of loans : 2

FY 1999 Draft Data Challenge

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

Sample Draft Data Challenge SPREADSHEET for Each Relevant Entity

1. Student's SSN	2. Student's Name	3. Number and type of loan(s) <small>(Use codes from instructions)</small>	4. Earlier of LDA or LTH <small>(MM/DD/CCYY)</small>	5. Date entered repayment <small>(DER) (MM/DD/CCYY)</small>	6. CPD, DD, ICRD, or N/A <small>(MM/DD/CCYY) or (MM/DD/CCYY)</small>	7. FY(s) appl.	8. Effect on CDR calc. <small>(N,D, or B)</small>	9. Comments	10. GA/Servicer Code
333-33-3333	David Smith	1 SF	11/12/1997	05/13/1998	09/05/2000	FY 1999 FY 1998	-B +D	Borrower was incorrectly included and should be removed from the B of the FY 1999 calculation and added to the D of the FY 1998 calculation	111
333-33-3333	David Smith	1 SU	11/12/1997	05/13/1998	09/05/2000	FY 1999 FY 1998	-B +D	Borrower was incorrectly included and should be removed from the B of the FY 1999 calculation and added to the D of the FY 1998 calculation	111

2/2/2001

Send to the relevant entity as identified by the guarantor/servicer code on the loan record detail report at the address shown in "Appendix A"

Page 1 of 1 page

Sample LOAN RECORD DETAIL REPORTS

RATE CALCULATION DATE: 12/16/2000
PAGE NO: 1

U.S. DEPARTMENT OF EDUCATION
NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)

1999 DRAFT LOAN RECORD DETAIL REPORT (SCHOOL)

Organization ID Number: 11111100

COHORT YEAR: ROBERT YOUNG
Name: ELECTRICAL TRAINING INSTITUTE
Address: 1234 MAIN STREET
City: LEONARDTOWN
Country: USA

State: WI
Postal Code: 12345-6789
Program Type: FFEL/DL
Original CLASS
School Begin Date End Date Level
D.O.B

First/M.I. D.O.B

STUDENT

SSN	Last name	Originating	Current	Type	Stat	Code	Claim Rsn/	DEFAULT/	NegAm Date	Repay Date	Amount	Guarantor/	Serviceicer	Loan/Date	Enrollment	Stat/	Usage	
0222-22-2222	LEE	0101	555	D1	DU	IX			02/20/2000	10/01/1998	\$ 3,000	0101	0101	09/30/1997	G	12/15/1999	B	DB
0333-33-3333	SMITH	8000040000	8000040000	SF	DU	DF			09/05/2000	10/21/1977	\$ 2,625	111	111	08/25/1998	W	01/01/2000	B	FB
0333-33-3333	SMITH	8000040000	8000040000	SU	DU	DF			09/05/2000	10/21/1977	\$ 2,625	111	111	08/25/1998	W	01/01/2000	E	E

DRAFT

RATE CALCULATION DATE: 08/12/2000
PAGE NO: 1

U.S. DEPARTMENT OF EDUCATION
NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)

1998 OFFICIAL LOAN RECORD DETAIL REPORT (SCHOOL)

Organization ID Number: 11111100

COHORT YEAR: ROBERT YOUNG
Name: ELECTRICAL TRAINING INSTITUTE
Address: 1234 MAIN STREET
City: LEONARDTOWN
Country: USA

State: WI
Postal Code: 12345-6789
Program Type: FFEL/DL
Original CLASS
School Begin Date End Date Level

First/M.I. D.O.B

STUDENT

SSN	Last name	Originating	Current	Type	Stat	Code	Claim Rsn/	DEFAULT/	NegAm Date	Repay Date	Amount	Guarantor/	Serviceicer	Loan/Date	Enrollment	Stat/	Usage	
0111-11-1111	MAY	0101	555	D1	DU	IX			07/15/1999	10/21/1997	\$ 3,000	0101	0101	09/30/1997	G	12/15/1999	B	DB
0555-55-5555	ANDERSON	8000040000	8000040000	SF	RP				00/00/0000	11/18/1979	\$ 2,625	111	111	02/13/1997	F	12/01/2000	D	FD

OFFICIAL

David was NOT included in the FY 1998 official loan record detail report

Sample Draft Data Challenge **Supporting Documentation**



Electrical Training Institute

1234 Wedgewood Lane
 Leonardtown, Wisconsin 12345-6789
 (123) 456-7890

Sample Letter

December 3, 1997

State Guaranty Agency
 Guarantor/Service Code 111
 ATTN: Compliance Officer
 1234 Trueman Road
 Lusby, North Carolina 98765-4321

OPE ID#: 111111

Subject: Updated LDA

Dear Mr. Bowen:

Electrical Training Institute, **OPE ID# 111111**, wishes to inform State Guaranty Agency that the last date of attendance for David Smith (333-33-3333) is November 12, 1997.

Thank you.

Sincerely,

Robert Young

Robert Young, President

Z 306 55A 633

Receipt for Certified Mail
 No Insurance Coverage Provided
 Do not use for International Mail
 (See Reverse)

PS Form 3800, March 1993

Sort to	State Guaranty Agency	
Street and Loc.		
P.O., Street and ZIP Code		
Postage		\$
Certified Fee		
Special Delivery Fee		
Restricted Delivery Fee		
Return Receipt Showing to Whom & Date Delivered		
Return Receipt Showing Date and Address of Addressee		
TOTAL Postage & Fees		
Postmark (Date)	DEC 4 1997	

Fold at line over top of envelope to the right of the return address

CERTIFIED

Z 306 55A 633

MAIL

Sample Draft Data Challenge **LETTER** for **Each** Relevant Entity



Electrical Training Institute

1234 Wedgewood Lane
Leonardtwn, Wisconsin 12345-6789
(123) 456-7890

Sample Letter

February 2, 2001

State Guaranty Agency
Guarantor/Service Code 111
ATTN: Compliance Officer
1234 Trueman Road
Lusby, North Carolina 98765-4321

OPE ID#: 111111

Subject: FY 1999 Draft Data Challenge

Dear Mr. Bowen:

Electrical Training Institute, **OPE ID# 111111**, wishes to challenge its FY 1999 draft cohort default rate data.

Please see the enclosed spreadsheet, loan record detail reports, and relevant supporting documentation.

Thank you for your consideration.

Sincerely,

Robert Young

Robert Young, President

Enclosures