

Cohort Default Rates

What is a cohort default rate?

A cohort default rate is the percentage of a school's student borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a particular fiscal year and default or meet other specified conditions before the end of the next fiscal year (FY)¹. The cohort default rate may be an FFEL Program cohort default rate, a Direct Loan Program cohort rate, or a Dual-Program cohort rate depending on the type or types of student loans that comprise the rate.



A school does not select whether it has an FFEL Program cohort default rate, a Direct Loan Program cohort rate, or a Dual-Program cohort rate. The type of rate is determined on the basis of the types of loans made to students attending the school that enter repayment in a given fiscal year.

An FFEL Program cohort default rate² is the cohort default rate for schools whose students have **only** FFEL Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain FFEL Program loans during a particular fiscal year and default within the fiscal year in which the loans entered repayment or within the next fiscal year.

A Direct Loan Program cohort rate³ is the cohort rate for schools whose students have **only** Direct Loan Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain Direct Loan Program loans during a particular fiscal year and default or meet **other specified conditions** within the fiscal year in which the loans entered repayment or within the next fiscal year.

¹ For schools with 29 or fewer borrowers entering repayment during a fiscal year, the data is averaged over a three year period. Please refer to page 14 for additional information on the averaging process.

² 34 CFR Section 668.17(d)

³ 34 CFR Section 668.17(e)

Q . What is a fiscal year?

A . A federal fiscal year begins on October 1 of a calendar year and ends on September 30 of the following calendar year.

Q . How are cohort default rates calculated if a school has branch campuses?

A . The data from each campus is combined to calculate a single cohort default rate for the school. The main campus of the school is notified of the cohort default rate and provided with a report that identifies all of the borrowers included in the rate.

A Dual-Program cohort rate⁴ is the cohort rate for schools whose students have **both** FFEL Program and Direct Loan Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain FFEL Program and Direct Loan Program loans during a particular fiscal year and default or meet ***other specified conditions*** within the fiscal year in which the loans entered repayment or within the next fiscal year.



Note

The U.S. Department of Education's (Department) regulations use the term "weighted average cohort rate" for rates for schools with student borrowers who have both FFEL Program and Direct Loan Program loans entering repayment during a fiscal year. This Guide uses the term "Dual-Program cohort rate" to describe the same rate and calculation. In addition, this Guide uses the term "cohort default rate" to refer to a school's FFEL Program cohort default rate, Direct Loan Program cohort rate, or Dual-Program cohort rate, unless otherwise specified.

Other specified conditions: For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the schools' rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. The period of time that determines whether a borrower will be included as a defaulted borrower due to the borrower's ICR plan is based on the cohort period in which the borrower is included. If the borrower was included in a cohort period **prior** to FY 1998, the period of time is 270 days. If the borrower is included in the **FY 1998 or a later** cohort period, the period of time is 360 days.⁵

⁴ 34 CFR Section 668.17(f)

⁵ 64 Fed. Reg. 58974, 58979 (November 1, 1999) (Preamble to Final Rule)

Which types of loans are included in the cohort default rate calculation?

The **FFEL Program loans included** in the cohort default rate calculation are:

- ◆ Subsidized Federal Stafford Loans (FFEL Stafford Loans);
 - ◆ Unsubsidized Federal Stafford Loans (FFEL Stafford Loans);
- AND
- ◆ Federal Supplemental Loans for Students (Federal SLS Loans).



Federal SLS Loans have not been issued since July 1, 1994. However, it is possible for a Federal SLS loan to be included in a recent cohort default rate calculation if the borrower has recently entered into repayment on the Federal SLS loan.

The **Direct Loan Program loans included** in the cohort default rate calculation are:

- ◆ Federal Direct Subsidized Stafford/Ford Loans (Direct Loan Program Loans);
- AND
- ◆ Federal Direct Unsubsidized Stafford/Ford Loans (Direct Loan Program Loans).

The following **loans are NOT included** in the cohort default rate calculation:

- ◆ PLUS Loans;
 - ◆ Federal Direct PLUS Loans;
 - ◆ Federal Insured Student Loans;
- AND
- ◆ Federal Perkins Program Loans.



Note

Federal Consolidation Loans and Federal Direct Consolidation Loans are not counted directly in the cohort default rate calculation. However, the status of a consolidation loan may affect how the loan(s) that was paid off by the consolidation loan is included in the cohort default rate calculation. Please refer to page 23 for more information on how consolidation loans may affect the cohort default rate calculation.

When are cohort default rates released?

The Department releases cohort default rates twice a year. Generally, the Department releases **draft** cohort default rates approximately six to seven months before the official cohort default rates are released. The **official** cohort default rates are released no later than September 30 of each year.

Who receives cohort default rates?

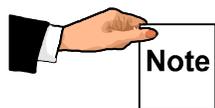
The **draft** cohort default rates are released to all schools that the Department's records indicate:

- ◆ were participating in the FFEL Program and/or Direct Loan Program on the first day of the fiscal year on which the cohort default rate is based and may or may not have student borrowers who entered into repayment on one or more of the relevant types of loans during the cohort period in question;

OR

- ◆ have at one time participated in either loan program and have student borrowers who entered into repayment on one or more of the relevant types of FFEL Program and/or Direct Loan Program loans during the cohort period in question.

The **draft** cohort default rates are NOT released to the public.



When the Department provides a school with a draft cohort default rate the school will also receive a copy of the most recent *Draft Cohort Default Rate Guide* and a report listing all of the student borrowers contained in the cohort default rate calculation.

The **official** cohort default rates are released to all schools that:

- ◆ are participating in any of the Title IV Student Financial Assistance Programs and were participating in the FFEL Program and/or Direct Loan Program on the first day of the fiscal year for which the cohort default rate is based and may or may not have student borrowers who entered into repayment on one or more of the relevant types of loans during the cohort period in question;
- OR
- ◆ are participating in any of the Title IV Student Financial Assistance Programs and have student borrowers who entered into repayment on one or more of the relevant types of FFEL Program and/or Direct Loan Program loans during the cohort period in question.

The **official** cohort default rates are released to the public. The public can request a listing of all of the official cohort default rates in the form of a press package. The press package also contains a listing of those schools that are subject to sanctions as a result of official cohort default rates. For a copy of the most recent press package please call (202) 708-9396 or visit the Department's website at <http://www.ifap.ed.gov>.



When the Department provides a school with an official cohort default rate the school will also receive a copy of the most recent *Official Cohort Default Rate Guide* and, if the school's cohort default rate is ten percent or greater, a report listing all of the student borrowers contained in the cohort default rate calculation.

Q . What is a draft data challenge?

A . A draft data challenge is the process used by a school to correct cohort default rate data before the official cohort default rates are calculated.

Please refer to page 75 of the "Draft Data Challenge" section for additional information on draft data challenges.

Why are cohort default rates important?

Although there are no sanctions or consequences associated with a **draft** cohort default rate, it is important to review the data used to calculate the draft cohort default rate to ensure the accuracy of the data. The data used to calculate the draft cohort default rate forms the basis of a school's official cohort default rate. **A school that fails to challenge the accuracy of its draft cohort default rate data through a draft data challenge may be precluded from challenging the accuracy of the data used in calculating its official cohort default rate.** Therefore, it is critical that all schools review their draft cohort default rate data.

In addition, because in certain circumstances a school may be able to avoid the consequences associated with its official cohort default rates by submitting a successful participation rate index challenge based on its draft cohort default rate, the school should review its enrollment data in relation to its draft cohort default rate to determine if it qualifies to submit a participation rate index challenge.

Please refer to page 75 of the "Draft Data Challenge" section for additional information on draft data challenges and page 101 of the "Participation Rate Index Challenge" section for additional information on participation rate index challenges.

The **official** cohort default rates are important because the rates may affect a school's eligibility to participate in certain Title IV Student Financial Assistance Programs and because the Department may take administrative actions against a school on the basis of its official cohort default rate(s). In addition, official cohort default rates below certain thresholds may qualify a school for certain benefits associated with the disbursement of loan program funds.

Please refer to the “Overview of the Effects of Cohort Default Rates” section beginning on page 33 for more information on the administrative actions the Department may initiate against a school due to its official cohort default rate(s) and a description of the benefits associated with its official cohort default rate(s).

How does the Department calculate a school’s cohort default rate?

The formula the Department uses for calculating a school’s cohort default rate depends on the number of student borrowers from that school entering repayment in a particular fiscal year (FY) and the number of cohort default rates previously calculated for the school.

The formulas and sample calculations are shown on the next six pages.

Non-Average Rate Calculation: For a school with **30 or more borrowers** entering repayment during FY 1998, a non-average rate is calculated.⁶ The FY 1998 non-average cohort default rate is calculated as follows:

100	X	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;">the number of borrowers who entered repayment in FY 1998 and defaulted or met other specified conditions in FY 1998 or FY 1999 (Numerator)</div> <hr style="border: 0.5px solid black;"/> <div style="border: 1px solid black; padding: 5px;">the number of borrowers who entered repayment in FY 1998 (Denominator)</div>
<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;">  <div style="border: 1px solid black; padding: 2px; font-weight: bold; font-size: 0.8em;">Note</div> </div> <div> <p>Other specified conditions: For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the schools' rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. Please refer to page 6 for an explanation regarding the period of time the borrower must be in an ICR plan prior to being treated as a defaulted loan.</p> </div> </div>		

The following page provides an example of a non-average cohort default rate.

⁶ 34 CFR Section 668.17(d), (e), and (f)

Non-Average Rate Example:

School A, a degree granting school, certified 117 loans for **90 borrowers** that entered repayment in FY 1998 (denominator). Of those borrowers, **8 borrowers** defaulted on a total of 16 loans in FY 1998 or FY 1999 (numerator). School A's cohort default rate is calculated by dividing 8 by 90 and multiplying the result by 100 to produce a cohort default rate of 8.9 percent.

$$100 \times \frac{8}{90} = 8.9\%$$

Q . Are cohort default rates based on the number of **loans** that enter repayment or the number of **borrowers** who enter repayment?

A . Cohort default rates are based on the number of unduplicated **borrowers** who enter repayment.

Average Rate Calculation:

For a school with **29 or fewer borrowers** entering repayment during FY 1998 that had a cohort default rate calculated for **FY 1996 and FY 1997**, the Department calculates an **average cohort default rate**.⁷ The FY 1998 average cohort default rate is calculated as follows:

100	X	the total number of borrowers who entered repayment in FY 1996, FY 1997, and FY 1998 and who defaulted or met other specified conditions before the end of the fiscal year immediately following the fiscal year in which the loan entered repayment (Numerator)
		the total number of borrowers who entered repayment in FY 1996, FY 1997, and FY 1998 (Denominator)

 **Note** **Other specified conditions:** For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the schools' rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. Please refer to page 6 for an explanation regarding the period of time the borrower must be in an ICR plan prior to being treated as a defaulted loan.

 **Note** The Department does not calculate draft average cohort default rates. Draft cohort default rates are based on one year of data, even if the official cohort default rate will be an average rate.

The following page provides an example of an average cohort default rate.

⁷ 34 CFR Section 668.17(d), (e), and (f)

Average Rate Example:

School B, a degree-granting school, certified loans for the following students: 50 borrowers who entered repayment in FY 1996, 44 borrowers who entered repayment in FY 1997, and 29 borrowers who entered repayment in FY 1998. 50+44+29=123 (denominator). Of those 123 borrowers, 2 of the borrowers who entered repayment in FY 1996 defaulted in FY 1996 or FY 1997; 6 of the borrowers who entered repayment in FY 1997 defaulted in FY 1997 or FY 1998; and 4 of the borrowers who entered repayment in FY 1998 defaulted in FY 1998 or FY 1999. 2+6+4=12 (numerator). School B's average cohort default rate is calculated by dividing 12 by 123 and multiplying the result by 100 to produce an average cohort default rate of 9.8 percent.

$$\begin{array}{c}
 \boxed{100} \times \frac{\boxed{2} + \boxed{6} + \boxed{4} = \boxed{12}}{\boxed{50} + \boxed{44} + \boxed{29} = \boxed{123}} = \boxed{9.8\%} \\
 \text{FY96} \quad \text{FY97} \quad \text{FY98}
 \end{array}$$

Unofficial Rate Calculation:

For a school with **29 or fewer borrowers** entering repayment during FY 1998 that **did not have a cohort default rate calculated for FY 1996 and/or FY 1997**, the Department calculates an **unofficial cohort default rate**. The FY 1998 unofficial cohort default rate is calculated as follows:

100	X	the number of borrowers who entered repayment in FY 1998 and defaulted or met <i>other specified conditions</i> in FY 1998 or FY 1999 (Numerator)
		the number of borrowers who entered repayment in FY 1998 (Denominator)



Note

Other specified conditions: For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the schools' rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. Please refer to page 6 for an explanation regarding the period of time the borrower must be in an ICR plan prior to being treated as a defaulted loan.



Draft cohort default rates are based on one year of data, even if a school has 29 or fewer borrowers entering repayment.

The following page provides an example of an unofficial cohort default rate.

Unofficial Rate Example:

School C, a degree-granting school that began participating in the FFEL Program on October 1, 1997 (i.e., the beginning of the 1998 fiscal year), certified loans for 21 borrowers who entered repayment in FY 1998. Of those borrowers, 2 of the borrowers who entered repayment in FY 1998 defaulted in FY 1998 or FY 1999. Because School C has 29 or fewer borrowers who entered repayment in FY 1998, a non-average cohort default rate cannot be calculated for the school. However, because the school was not participating in the FFEL Program on the first day of FY 1997 (i.e., October 1, 1996) and as a result did not have a cohort default rate calculated for FY 1997, School C does not have two previous rates with which to average its current year data. Therefore, School C's cohort default rate is calculated based on one year of data by dividing 2 by 21 and multiplying the result by 100 to produce an unofficial cohort default rate of 9.5 percent.

$$100 \times \frac{2}{21} = 9.5\%$$



Since an unofficial cohort default rate does not meet the statutory definition of a cohort default rate, it cannot be used to determine sanctions or benefits when the official cohort default rates are released.

What are the time frames of a cohort period?

The time frames for a cohort period are based on federal fiscal years. Federal fiscal years begin on October 1 of a calendar year and end on September 30 of the following calendar year.⁸

Except for schools with 29 or fewer borrowers entering repayment, the cohort default rate is based on the number of borrowers who **entered repayment in a single fiscal year** (this is the denominator of the calculation), and of these borrowers, the number of borrowers who **defaulted or met other specified conditions in a two-year period** (this is the numerator of the calculation).⁹ The cohort default rate for FY 1998 is based on the number of borrowers who entered repayment in **FY 1998** and of those borrowers, the number who defaulted or met other specified conditions in **FY 1998** or **FY 1999**. Therefore, the borrowers who entered repayment from October 1, 1997, through September 30, 1998, are included in the denominator of the FY 1998 cohort default rate calculation. Of those borrowers, the borrowers who defaulted or met other specified conditions from October 1, 1997, through September 30, 1999, are included in the numerator of the FY 1998 cohort default rate calculation.

Please refer to the chart on the next page for a listing of cohort periods and the loans included in the cohort default rate calculations.

⁸ 34 CFR Section 668.17(d)(2)

⁹ 34 CFR Section 668.17(d), (e), and (f)

The following chart outlines seven cohort periods and the borrowers included in the cohort default rate calculations.

Cohort Period Time Frames		
Cohort Period	Loans Included in the Cohort Default Rate Calculation¹⁰	Period of Time
FY 1994	Borrowers who entered repayment on their loans in FY 1994 <u>and defaulted in FY 1994 or FY 1995</u> Borrowers who entered repayment on their loans in FY 1994	<u>10/1/93 to 9/30/95</u> 10/1/93 to 9/30/94
FY 1995	Borrowers who entered repayment on their loans in FY 1995 <u>and defaulted in FY 1995 or FY 1996</u> Borrowers who entered repayment on their loans in FY 1995	<u>10/1/94 to 9/30/96</u> 10/1/94 to 9/30/95
FY 1996	Borrowers who entered repayment on their loans in FY 1996 <u>and defaulted in FY 1996 or FY 1997</u> Borrowers who entered repayment on their loans in FY 1996	<u>10/1/95 to 9/30/97</u> 10/1/95 to 9/30/96
FY 1997	Borrowers who entered repayment on their loans in FY 1997 <u>and defaulted in FY 1997 or FY 1998</u> Borrowers who entered repayment on their loans in FY 1997	<u>10/1/96 to 9/30/98</u> 10/1/96 to 9/30/97
FY 1998	Borrowers who entered repayment on their loans in FY 1998 <u>and defaulted in FY 1998 or FY 1999</u> Borrowers who entered repayment on their loans in FY 1998	<u>10/1/97 to 9/30/99</u> 10/1/97 to 9/30/98
FY 1999	Borrowers who entered repayment on their loans in FY 1999 <u>and defaulted in FY 1999 or FY 2000</u> Borrowers who entered repayment on their loans in FY 1999	<u>10/1/98 to 9/30/00</u> 10/1/98 to 9/30/99
FY 2000	Borrowers who entered repayment on their loans in FY 2000 <u>and defaulted in FY 2000 or FY 2001</u> Borrowers who entered repayment on their loans in FY 2000	<u>10/1/99 to 9/30/01</u> 10/1/99 to 9/30/00

¹⁰ Except for the FY 1994 cohort period, for non-degree granting proprietary schools only, students who have received Direct Loan Program loans are included as defaulted loans in the schools' rates if, for a specified period of time within the cohort period in question, the students are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. Please refer to page 6 for an explanation regarding the period of time the borrower must be in an ICR plan prior to being treated as a defaulted loan.

How does the Department determine which loans are placed in the denominator of the calculation?

Q . When will a borrower enter repayment if the borrower re-enrolls in an eligible school prior to the expiration of the borrower's grace period?

A . If a school provides timely notification that the borrower re-enrolled, the borrower will not enter repayment until the borrower has received six consecutive months of an uninterrupted grace period.

Loans are included in the denominator of the cohort default rate based on when the loan entered repayment. Except for the average cohort default rate calculation, loans included in the denominator of the FY 1998 cohort default rate calculation are FFEL Program and Direct Loan Program loans that entered repayment during FY 1998 (i.e., from October 1, 1997, through September 30, 1998).

Different loan types enter repayment under different rules.

FFEL Program Stafford Loans enter repayment on the day following six months of an uninterrupted grace period after a student drops below at least half-time enrollment PROVIDED that the school timely notified the lender and/or guaranty agency of the student's change in enrollment status. If the school does not timely notify the lender and/or guaranty agency of a student's change in enrollment status, the lender will use the best information available to determine the student's date entered repayment and this date will be used for purposes of calculating the school's cohort default rate.



Note

If the loan was converted into repayment before March 1, 1996, the repayment date for FFEL Program Stafford Loans may be date-specific (for example, 1/16/1996) or month-specific (for example, 2/1996). On or after March 1, 1996, the repayment date is date-specific.

Direct Loan Program Loans enter repayment on the day following six months of an uninterrupted grace period after a student drops below at least half-time enrollment PROVIDED that the school timely notified the Direct Loan servicer of the student's change in enrollment status. If the school does not timely notify the Direct Loan servicer of a student's change in enrollment status, the servicer will use the best information available to determine the student's date entered repayment and this date will be used for purposes of calculating the school's cohort default rate.



Note

Unlike FFEL Program loans, the date entered repayment for Direct Loan Program loans was always date specific.

Q . If a borrower requests a forbearance, or deferment, will the student's date entered repayment change?

A . No, once a borrower has entered into repayment, a forbearance or deferment will not alter the borrower's date entered repayment.

For any Federal SLS Loan that was not reported in a cohort period prior to FY 1993, the following definitions apply:

- ◆ If a student has a Federal SLS Loan and an FFEL Program Stafford Loan that were both obtained in the same period of continuous enrollment, the date entered repayment for the Federal SLS Loan is the same as the date entered repayment for the FFEL Program Stafford Loan.

OR

- ◆ In all other instances, the date entered repayment for the Federal SLS Loan is the day following the day a student is no longer enrolled on at least a half-time basis.

Under these guidelines for Federal SLS Loans, which were implemented beginning with the FY 1993 cohort default rates, a loan that was reported as having entered repayment prior to FY 1993 might also meet the criteria to be included in FY 1993 or later. To prevent the possibility of double-counting loans, any Federal SLS Loan that was reported in a cohort period prior to FY 1993 will not be reported again.



Please refer to the list of special circumstances affecting the cohort default rate calculation beginning on page 24.

How does the Department determine which loans are placed in the numerator of the calculation?

Loans must be included in the denominator of a cohort default rate calculation in order to be included in the numerator of the cohort default rate calculation.

For FFEL Program loans, only defaulted loans are included in the numerator of the calculation. For **cohort default rate purposes**, a loan is considered to be in default only if the guaranty agency has paid a default claim on the loan to the lender.¹¹ The date the guaranty agency reimburses the lender for the defaulted loan (the claim paid date or CPD) is used to determine if the loan will be placed in the numerator of the calculation. If the claim paid date falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in both the denominator and numerator of the cohort rate calculation.

¹¹ 34 CFR Section 668.17(d)(1)(i)(C)

**Note**

Effective October 7, 1998, the 1998 Amendments to the HEA changed the definition of default for FFEL Program loans from 180 days of delinquency to 270 days of delinquency. Therefore, if a borrower's first day of delinquency on a loan occurred before October 7, 1998, the borrower's default will be based on 180 days of delinquency. However, if a borrower's first day of delinquency on a loan occurred on or after October 7, 1998, the borrower's default will be based on 270 days of delinquency. When determining a borrower's first day of delinquency, it is important to note that a borrower's first day of delinquency can change based on late payments made by a borrower (i.e., rolling delinquencies). For example, if a borrower, whose first day of delinquency was September 15, 1998, makes a full monthly payment in November 1998, the borrower's first day of delinquency would change to October 15, 1998 and the borrower would only default if he or she remained delinquent for 270 days. **In either circumstance, if the date the claim is paid falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in both the denominator and the numerator of the cohort default rate calculation.**

For Direct Loan Program loans, loans are included in the numerator of the cohort default rate calculation when a student defaults. As a result of the change in definition of default, the definition of default **for cohort default rate purposes** for Direct Loan Program loans was changed from 270 days of delinquency to 360 days of delinquency. This change was effective October 7, 1998. Therefore, if a borrower defaults on a Direct Loan Program loan based on a first day of delinquency that occurred before October 7, 1998, the default will be based on 270 days of delinquency. If a borrower defaults on a Direct Loan Program loan based on a first day of delinquency that occurred on or after October 7, 1998, the default will be based on 360 days of delinquency. As with FFEL Program loans, it is important to note that the first day of delinquency may change based on late payments made by borrowers. The change in the borrower's first day of delinquency may affect whether or not the borrower is considered in default after 270 days or 360 days of delinquency. **In either circumstance, if the borrower's default date falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in both the denominator and the numerator of the cohort default rate calculation.**

In addition, for non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the schools' rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. The period of time that determines whether a borrower will be included as a defaulted borrower due to the borrower's ICR plan is based on the cohort period in which the borrower is included. If the borrower was included in a cohort period **prior** to FY 1998, the period of time is 270 days. If the borrower is included in the **FY 1998 or a later** cohort period, the period of time is 360 days.¹²



Please refer to the list of special circumstances affecting the cohort default rate calculation beginning on the next page

How do consolidation loans affect the numerator of the cohort default rate calculation?

A defaulted Federal Consolidation loan and/or Federal Direct Consolidation loan may cause a **non-defaulted** FFEL Program and/or Direct Loan Program loan to be included in the **numerator** of the cohort default rate calculation. This occurs if the Federal Consolidation loan and/or Federal Direct Consolidation loan, which was used to consolidate the FFEL Program and/or Direct Loan Program loan(s), defaults within the same cohort period in which the FFEL Program and/or Direct Loan Program loan entered into repayment.

For example: A borrower entered into repayment on an FFEL Program loan on January 3, 1998. Because the borrower entered into repayment on the FFEL Program loan on January 3, 1998, the borrower will be included in the denominator of the FY 1998 cohort default rate calculation. After entering into repayment on the FFEL Program loan, the borrower elects to consolidate the FFEL Program loan using a Federal Consolidation loan. The borrower fails to make payments on the Federal Consolidation loan and defaults on the Federal Consolidation loan on March 15, 1999. Even though the FFEL Program loan did not default, the FFEL Program loan will be included in the numerator of the FY 1998 cohort default rate calculation because the Federal Consolidation loan, which consolidated the FFEL Program loan, defaulted within the cohort period in which the FFEL Program loan entered repayment.

¹² 64 Fed. Reg. 58974, 58979 (November 1, 1999) (Preamble to Final Rule)

Are there any special circumstances which affect how a loan will be included in the cohort default rate calculation?

There are several special circumstances that will affect how a loan is included in the cohort default rate calculation. The following table addresses many of these circumstances but is not intended to be representative of all of the special circumstances.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A borrower had more than one loan enter repayment during the same fiscal year	The borrower should be included in the denominator of the cohort default rate calculation in the year in which the loans entered repayment. Cohort default rates are calculated based on an unduplicated borrower count. Therefore, even if a borrower has more than one loan entering repayment in a single fiscal year, that borrower will only be counted once in the denominator of the cohort default rate calculation.	The borrower should be included in the numerator of the cohort default rate calculation if one or more of the loans defaulted or met other specified conditions within the fiscal year in which the loans entered repayment or within the next fiscal year. Even if more than one loan defaulted or met other specified conditions, the borrower would be counted only once in the numerator of the cohort default rate calculation.
A borrower has two or more separate loans and the repayment dates for each of the loans fall into separate cohort periods	The borrower should be included in the denominators of the cohort default rate calculations in the year in which the loans entered repayment. The same borrower can appear in two different cohort periods if the borrower has two separate loans and the repayment dates for each of the loans fall into separate fiscal years. However, the same loan cannot be used in more than one cohort period.	The borrower should be included in the numerator of the cohort default rate calculation if the loan defaulted or met other specified conditions within the fiscal year in which that loan entered repayment or within the next fiscal year.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A borrower takes out loans at more than one school	The loans obtained for attendance at one school are included in the denominator of that school's cohort default rate calculation and the loans obtained for attendance at any other schools are included in the denominator of the other schools' cohort default rate calculations.	The loans obtained for attendance at one school are included in the numerator of that school's cohort default rate calculation and the loans obtained for attendance at the other schools are included in the numerator of the other schools' cohort default rate calculations, provided that the loans defaulted or met other specified conditions within the fiscal year that those loans entered repayment or within the next fiscal year.
A borrower consolidated one or more of his/her non-defaulted loans	The borrower should be included in the denominator(s) of the cohort default rate calculation(s) in which the underlying loan(s) entered repayment.	If the consolidation loan defaulted or met other specified conditions within the fiscal year in which the underlying loan(s) entered repayment or within the next fiscal year, then the borrower should be included in the numerator(s) of the cohort default rate calculation(s).
A borrower consolidated one or more of his/her defaulted loans	The borrower should be included in the denominator(s) of the cohort default rate calculation(s) in which the underlying loan(s) entered repayment.	If the underlying loan(s) defaulted or met other specified conditions within the fiscal year in which the underlying loan(s) entered into repayment or within the next fiscal year, then the borrower should be included in the numerator(s) of the cohort default rate calculation(s).

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
<p>The borrower's loan was discharged due to death, bankruptcy, and/or disability PRIOR to the borrower entering repayment.</p>	<p>Because the borrower did not enter repayment, the borrower should be included in the denominator of the cohort default rate calculation based on the date the borrower died, declared bankruptcy, and/or became disabled provided that the lender, guaranty agency, and/or Direct Loan servicer was timely notified of the borrower's death, bankruptcy and/or disability.</p>	<p>The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan did not default prior to the death, bankruptcy, and/or disability.</p>
<p>The borrower's loan was discharged due to death, bankruptcy, and/or disability AFTER the borrower entered repayment BUT prior to the borrower defaulting.</p>	<p>The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.</p>	<p>PROVIDED that the lender, guaranty agency, and/or Direct Loan servicer was timely notified of the borrower's death, bankruptcy, and/or disability, the borrower should NOT be included in the numerator of the cohort default rate calculation because the loan did not default prior to the death, bankruptcy, and/or disability.</p>

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
The borrower's loan was discharged due to death, bankruptcy, and/or disability AFTER the borrower defaulted ¹³	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation if the loan defaulted, or met other specified conditions within the fiscal year in which the loan entered repayment or the next fiscal year.
The borrower's loan was discharged under the closed school discharge provisions	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	If the discharge occurred within the same fiscal year that the loan entered repayment or in the next fiscal year, the borrower should be included in the numerator of the cohort default rate calculation.
A payment is made on a loan by the school, its owner, agent, or another entity or individual affiliated with the school to avoid default by the borrower ¹⁴	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation because the loan is treated as in default for cohort default rate purposes.
A loan was fully refunded to the lender/Direct Loan servicer (i.e., cancelled) within 120 days of disbursement	The borrower should NOT be included in the denominator of the cohort default rate calculation because cancelled loans are not included in the cohort default rate calculation.	The borrower should NOT be included in the numerator of the cohort default rate calculation because cancelled loans are not included in the cohort default rate calculation.

¹³ 34 CFR Section 682.402 and 685.212

¹⁴ HEA Section 435(m)(2)(B), 34 CFR Section 668.17(d)(1)(ii)(B), (e)(2)(ii), and (f)(2)(ii)

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A loan was partially refunded to the lender/Direct Loan servicer or was not fully refunded within 120 days of disbursement.	The borrower should be included in the denominator of cohort default rate calculation based on the fiscal year in which the loan entered repayment. If the loan was fully refunded after 120 days of disbursement, the repayment date becomes the date the loan was fully refunded.	The borrower should be included in the numerator of the cohort default rate calculation if the portion of the loan that was not refunded, defaults or meets other specified conditions within the fiscal year the loan entered repayment or the next fiscal year.
A borrower paid the loan in-full PRIOR to the date the borrower was originally scheduled to enter repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year that the borrower paid the loan in-full. The paid in-full date becomes the new repayment date.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan never defaulted or met other specified conditions.
A borrower requested and was granted a repayment schedule that started before the date the borrower was originally scheduled to enter repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which that early repayment schedule start date falls.	The borrower should NOT be included in the numerator of the cohort default rate calculation if the loan did not default or meet other specified conditions.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A borrower defaulted on a loan but it was rehabilitated before the end of the cohort period in which the borrower entered repayment ¹⁵	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan is not considered in default.
A borrower paid the loan in-full AFTER defaulting on the loan and the borrower did not successfully rehabilitate his/her loan before the end of the cohort period in which the borrower entered repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation if the loan defaulted or met other specified conditions within the fiscal year in which the loan entered repayment or the next fiscal year.
A lender repurchased a loan because the guaranty agency determined that the lender failed to meet the insurance requirements	The loan should NOT be included in the denominator of the cohort default rate calculation because uninsured loans are not included in the cohort default rate calculation.	The loan should NOT be included in the numerator of the cohort default rate calculation because uninsured loans are not included in the cohort default rate calculation.
A lender repurchased a loan because it incorrectly submitted the loan to the guaranty agency AND the lender immediately requested that the loan be returned AND did not subsequently submit another claim	The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The loan should NOT be included in the numerator of the cohort default rate calculation because the loan is not a defaulted loan.

¹⁵ HEA Section 428 F (a), 435(m)(2)(C), and 34 CFR Section 682.405(a) An FFEL Program loan is rehabilitated if a borrower has made 12 consecutive, voluntary, on-time monthly payments before the end of the cohort period in which the student entered repayment and the loan is sold to a lender. HEA Section 451(b)(2), 455(a)(1), and 34 CFR Section 685.211(e) A Direct Loan Program loan is rehabilitated if a borrower has made 12 consecutive on-time monthly payments before the end of the cohort period in which the borrower entered repayment.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
<p>A lender repurchased a loan because it incorrectly submitted the loan to the guaranty agency and the lender immediately requested that the loan be returned AND then the lender subsequently submits another claim on the loan and that claim is paid within the same cohort period the loan entered repayment</p>	<p>The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.</p>	<p>The loan should be included in the numerator of the cohort default rate calculation because a subsequent claim was submitted and paid within the cohort period.</p>
<p>A lender repurchased a loan because the borrower established a new payment plan and is making payments, or the lender/servicer simply requests the repurchase (i.e., a courtesy repurchase) AND the loan does not meet the rehabilitation criteria discussed on page 29.</p>	<p>The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.</p>	<p>The loan should be included in the numerator of the cohort default rate calculation if the original claim was paid within the cohort period the loan entered repayment since the loan is considered a defaulted loan for cohort default rate purposes.</p>

How does adding and subtracting loans from the cohort default rate calculation affect a school's cohort default rate?

The following chart describes the effect that the movement of a loan has on a cohort default rate calculation.

Results of Adding and Subtracting Loans		
Are there other loans for the same borrower that are CORRECTLY included in the cohort default rate calculation?	And the Department...	Then the following change to the cohort default rate results:
If the borrower has no other loans in the CDR calculation	Adds a defaulted loan	+B
	Adds a non-defaulted loan	+D
	Subtracts a defaulted loan	-B
	Subtracts a non-defaulted loan	-D
	Changes a defaulted loan to a non-defaulted loan	-N
If the borrower has other non-defaulted loan(s) in the CDR calculation	Adds a defaulted loan	+N
	Adds a non-defaulted loan	No effect
	Subtracts a non-defaulted loan	No effect
	Subtracts a defaulted loan	-N
	Changes a defaulted loan to a non-defaulted loan	-N
If the borrower has other defaulted loan(s) in the CDR calculation	Adds a defaulted loan	No effect
	Adds a non-defaulted loan	No effect
	Subtracts a defaulted loan	No effect
	Subtracts a non-defaulted loan	No effect
	Changes a defaulted loan to a non-defaulted loan	No effect

Key	
Code	Description
CDR	Cohort Default Rate
N	Numerator
D	Denominator
B	Both Numerator and Denominator

