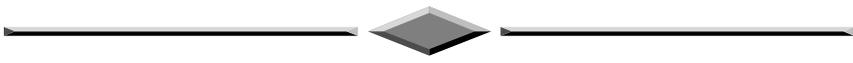


Challenging Draft Data



QUALIFYING

Who is 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 after the release of the draft cohort default rates. This includes schools whose draft cohort default rates are below 25.0 percent.

Why should a school challenge draft data?

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

A school should challenge its draft data 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 loan information, information obtained from outside sources, and the draft loan record detail report;

AND

- ◆ the loan information included in the draft loan record detail report will be used to calculate the school's official cohort default rate and a school **may become subject to consequences associated with the official cohort default rate** if it exceeds certain statutory thresholds;

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 If a school receives a draft loan record detail report but has officially withdrawn from the FFEL Program and/or Direct Loan Program, should the school review the draft cohort default rate data?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

AND

- ◆ by challenging errors after the release of the draft cohort default rates, a **school, subject to consequences associated with its official cohort default rate, will preserve its right to submit an erroneous data appeal** on the basis of disputed data after the release of the official cohort default rates.¹

What are erroneous data?

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

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

- ◆ a student is not reported correctly in the draft cohort default rate calculation;

AND/OR

- ◆ a student was omitted entirely from the calculation.

When reconciling draft data against a school’s records and information obtained from outside sources, a school should confirm the following:

- ◆ that the date the loan entered repayment is correct;
- ◆ that the loan claim paid date is correct;
- ◆ that there are no cancelled loans included in the cohort default rate calculation;
- ◆ that there are no uninsured loans included in the cohort default rate calculation;

¹ 34 CFR § 668.17(j)(7).

- ◆ that loans that were discharged prior to defaulting are not counted in the numerator of the cohort default rate calculation;
- ◆ that there is no loan that entered repayment in the cohort year that was omitted from the loan record detail report (i.e., that there are no missing loans);

AND

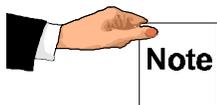
- ◆ that the same student loan was not reported in two different cohort years (i.e., that there are no duplicated loans).



These are some, but not all, of the errors that might occur.

What if a school does not challenge draft data errors?

If a school fails to challenge errors in the FY 1997 draft loan record detail report, it may NOT challenge the errors at any other time. 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 discrepancies in question were present in the draft loan record detail report, but the school failed to submit a challenge of those discrepancies immediately following the release of the draft cohort default rate data.²



If a school does NOT challenge any draft data errors immediately following the release of the draft cohort default rate data, the school's official loan record detail report may **still** be different from the school's draft loan record detail report 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. New data may be appealed during the official cohort default rate appeal process by schools that are subject to consequences due to the schools' official cohort default rates.

² 34 CFR § 668.17(j)(7).

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

If a school believes there is an error in the draft loan record detail report, it should submit a written challenge to the appropriate entity identified by the guarantor/servicer code on the loan record detail report.

The entities identified by the guarantor/servicer code on the loan record detail report represent guaranty agencies, the Department's Default Management Division, and the Department's Direct Loan servicer.

- ◆ **Guaranty agencies** are responsible for responding to schools' inquiries regarding **FFEL Program loans** for which the guaranty agency currently maintains the guaranty. A listing of the codes for the guaranty agencies is in Appendix A.
- ◆ The **Department's Default Management Division** is responsible for responding to schools' inquiries regarding **FFEL Program loans that are currently held by the Department**. These loans are identified on the loan record detail report with a guarantor/servicer code of **555**.
- ◆ The **Department's Direct Loan servicer** is responsible for responding to inquiries regarding all **Direct Loan Program loans**. These loans are identified on the loan record detail report with a guarantor/servicer code of **0101**.

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 student loans for which it currently maintains the guaranty. The guaranty agency's response must be sent to the school within **thirty (30) calendar days** of receipt of the school's timely submitted draft data challenge.³

³ 34 CFR § 668.17(j)(3)

In its response, the guaranty agency addresses the school's allegations by indicating whether or not the guaranty agency agrees with the school's allegations and why. The guaranty agency provides a copy of this response to both the school and the Department.

- ◆ If the guaranty agency correctly **agrees** that there is erroneous data in the loan record detail report data, then it is required to submit the corrected information to NSLDS. The changes reported to NSLDS should be reflected in the official loan record detail report.

If the correctly agreed upon changes are not made prior to the release of the official cohort default rates, a school may file a request for adjustment with the Department after the official cohort default rates are released.

- ◆ If the guaranty agency **disagrees** with a school's challenge(s), the school may be eligible to submit an erroneous data appeal on the basis of **disputed data** after the official cohort default rates are released, if the school is subject to consequences associated with its official cohort default rate.

Please refer to the "Official Cohort Default Rate Overview" section beginning on page 85 for a description of consequences associated with the official cohort default rates.



The Department will send each school the *FY 1997 Official Cohort Default Rate Guide* with the school's FY 1997 official cohort default rate notification letter. The *FY 1997 Official Cohort Default Rate Guide* will explain in detail the procedures and time frames for submitting a request for adjustment and/or an erroneous data appeal.

The guaranty agency is not required to respond to challenges submitted by the school if the 30 calendar day time frame to submit such challenges has expired.

Please refer to the "Information for Guaranty Agencies on Draft Data Challenges" beginning on page 69 for more information on guaranty agency responses.

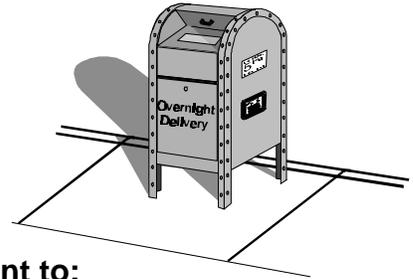
What role does the Department have in a school's draft data challenge?

The Department is responsible for reviewing the draft data challenge if the challenge includes allegations regarding FFEL Program loans currently held by the Department and/or Direct Loan Program loans.

FFEL Program loans currently held by the Department are identified on the loan record detail report with a guarantor/servicer code of **555**. Allegations regarding these loans should be submitted to the Department's Default Management Division at the following address:

Commercial overnight mail/courier delivery should be sent to:

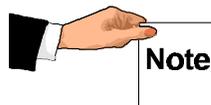
U.S. Department of Education
Default Management Division
ATTN: Draft Data Challenge
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20202



U.S. Postal Service mail should be sent to:



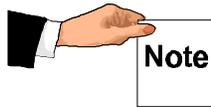
U.S. Department of Education
Default Management Division
ATTN: Draft Data Challenge
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353



The Department will not accept any appeal correspondence by facsimile (fax) or e-mail.

Direct Loan Program loans are identified on the loan record detail report with a Direct Loan servicer code of **0101**. Allegations regarding Direct Loan Program loans should be submitted to the Department's Direct Loan servicer at the following address:

U.S. Department of Education
 Direct Loan Servicer
 School Services Department
 ATTN: Default Rate Appeals Section
 501 Bleecker Street
 Utica, New York 13501



The Department will not respond to challenges submitted by the school if the 30 calendar day time frame to submit such challenges has expired.

The Department also reviews guaranty agency responses to schools' draft data challenges to ensure that the guaranty agency 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 school should send its draft data challenge directly to the entity identified by the guarantor/servicer code on the loan record detail report. A listing of all the codes (including the codes for loans held by the Department) and the corresponding name and address for the entity identified by the code is listed in Appendices A (for FFEL Program loans) and B (for Direct Loan Program loans).



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

Can a school challenge cohort default rate data from previous years?

No. A school can only directly challenge the most recent draft cohort default rate data. Schools that have an average cohort default rate are also limited to challenging only current year draft data.

TIMING

What are the time frames and procedures for a school to submit a draft data challenge?

Timing is critical for a school when submitting a draft data challenge. The required regulatory time frame is as follows:

- ◆ Within **thirty (30) calendar days**⁴ of receiving the draft loan record detail report a school must:
 - ❖ review the draft loan record detail report for inconsistencies between the school's records, information obtained from outside sources, and the draft loan record detail report,

AND

- ❖ if there are inconsistencies, the school must send a written challenge to the appropriate entity identified by the guarantor/servicer code on the loan record detail report.

Q . If a guaranty agency and/or the Department claims that a school's draft data challenge was received after the 30 calendar day deadline, does the school have any recourse?

A . No, unless the school can prove that the draft data challenge was received within the 30 calendar day time frame. See 34 CFR 668.17(j). For this reason, the Department recommends that schools send all draft data challenge correspondence return receipt requested or via commercial overnight delivery.

⁴ 34 CFR § 668.17(j)(2)



If the submission due date falls on a weekend or a federal holiday, a school may send its draft data challenge to the appropriate entity identified by the guarantor/servicer code on the loan record detail report no later than the next federal business day. If a school fails to meet the regulatory time frame, the school's draft data challenge will NOT be reviewed.

A guaranty agency, in some circumstances, may **agree** to review a school's draft data challenge that is submitted after the deadline. However, because the school missed the regulatory deadline, the school will not be eligible after the release of the official cohort default rates to submit a request for adjustment or an erroneous data appeal that is based on disputed data for loans guaranteed by that agency and included in the school's official cohort default rate.⁵

What are the time frames and procedures for an entity identified by the guarantor/servicer code on the loan record detail report to respond to a school's draft data challenge?

Timing is critical when responding to a school's draft data challenge. The required regulatory time frame is as follows:

- ◆ Within **thirty (30) calendar days**⁶ of receipt of a school's timely submitted draft data challenge, an entity identified by the guarantor/servicer code on the loan record detail report must:
 - ❖ research the school's allegations of error;
 - AND
 - ❖ provide a complete response to each allegation of error presented by the school.

Q . What happens if a school does not receive a response to its draft data challenge within the 30 calendar day time frame?

A . The school is not penalized and the school may address the challenge to the Department after the release of the official cohort default rates, provided the response was not received prior to the release of the official cohort default rates.

⁵ 34 CFR § 668.17(j)(7)

⁶ 34 CFR § 668.17(j)(3)



If a school's draft data challenge does not contain all the necessary information to challenge its draft data, as identified on page 52 of this section, the entity to which the school sent its challenge may request that the school submit the missing information to complete the draft data challenge. However, the additional information must be submitted within the 30 calendar day deadline for submitting such challenges.

SUBMITTING

How does a school submit a draft data challenge?

Step 1: Review the draft loan record detail report to determine if:

- ◆ a student is not reported correctly in the draft cohort default rate calculation;

AND/OR

- ◆ a student was incorrectly omitted from the draft cohort default rate calculation.

Example: Electrical Training Institute found two discrepancies between its records, information obtained from outside sources, and the FY 1997 draft loan record detail report.

Allegation 1: According to Electrical Training Institute's records and information obtained from outside sources, David Smith was **erroneously included** in the numerator and denominator of the FY 1997 draft loan record detail report. Electrical Training Institute's records show that David had one loan, his last date of attendance was 11/12/1995, and he entered repayment during the 1996 cohort period. Because, according to the school's records, David entered repayment in the 1996 cohort period, Electrical Training Institute believes the loan should be removed from the FY 1997 draft cohort default rate calculation and counted in the denominator of the FY 1996 cohort default rate calculation.

Allegation 2: According to Electrical Training Institute's records and information obtained from outside sources, Jessica Garcia entered repayment on 7/16/1997, during the 1997 cohort period, but did not appear in the FY 1997 draft loan record detail report. Thus, Electrical Training Institute believes that Jessica was **erroneously excluded** from the FY 1997 draft cohort default calculation and Jessica's loan should be included in the denominator of the FY 1997 draft cohort default rate calculation.

Step 2: **Compile a list of alleged errors for each guarantor/servicer code identified on the loan record detail report for which the school alleges errors.**

- ◆ Record all alleged errors using the **FY 1997 Draft Data Challenge** spreadsheet.

Complete a separate spreadsheet for each guarantor/servicer code identified on the loan record detail report for which the school alleges errors.

Please refer to page 54 of this section for a sample spreadsheet and instructions on completing the spreadsheet.

Step 3: 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 guarantor/servicer code identified on the loan record detail report for which the school alleges errors.

This letter should include –

- ❖ the school's OPE ID number;
- ❖ a statement indicating that the school is submitting a draft data challenge;
- ❖ the current 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.

Use the **FY 1997 Draft Data Challenge** sample letter on page 53 of this section.

Complete a separate letter for each guarantor/servicer code identified on the loan record detail report for which the school alleges errors.

- ◆ The spreadsheet completed in Step 2.
- ◆ A copy of relevant pages from the relevant loan record detail report(s).

Each draft data challenge 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 year 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.

Examples:

Allegation 1: David Smith (333-33-3333) Electrical Training Institute sent a copy of the page of the FY 1997 draft loan record detail report where David Smith currently appears and a copy of the page of the FY 1996 official loan record detail report showing where David Smith should have been included but was not.

Allegation 2: Jessica Garcia (222-22-2222)

Electrical Training Institute submitted a copy of the page of the FY 1997 draft loan record detail report showing where Jessica Garcia should have been included but was not.

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

Examples:

Allegation 1: David Smith (333-33-3333) Electrical Training Institute included a signed and dated copy of a letter to the relevant lender and guaranty agency showing that David's last day of attendance was 11/12/1995.

Allegation 2: Jessica Garcia (222-22-2222) Electrical Training Institute included an NSLDS SSCR screen print showing that Jessica left school on 1/15/1997.

Step 4: Submit the draft data challenge to the appropriate entity identified by the guarantor/servicer code listed on the loan record detail report within thirty (30) calendar days of receipt of the school's draft loan record detail report.

The Department recommends that the school submit its completed draft data challenge on school letterhead, with the spreadsheet described in Step 2, and the loan record detail report information and supporting documentation described in Step 3. 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 sent to each entity identified by the guarantor/servicer code listed on the loan record detail report. The Department recommends that the school also maintain documentation verifying receipt of all draft data challenge material.



If a school does not meet the **thirty (30) calendar** day time frame for submitting a draft data challenge, the school's draft data challenge will not be reviewed.

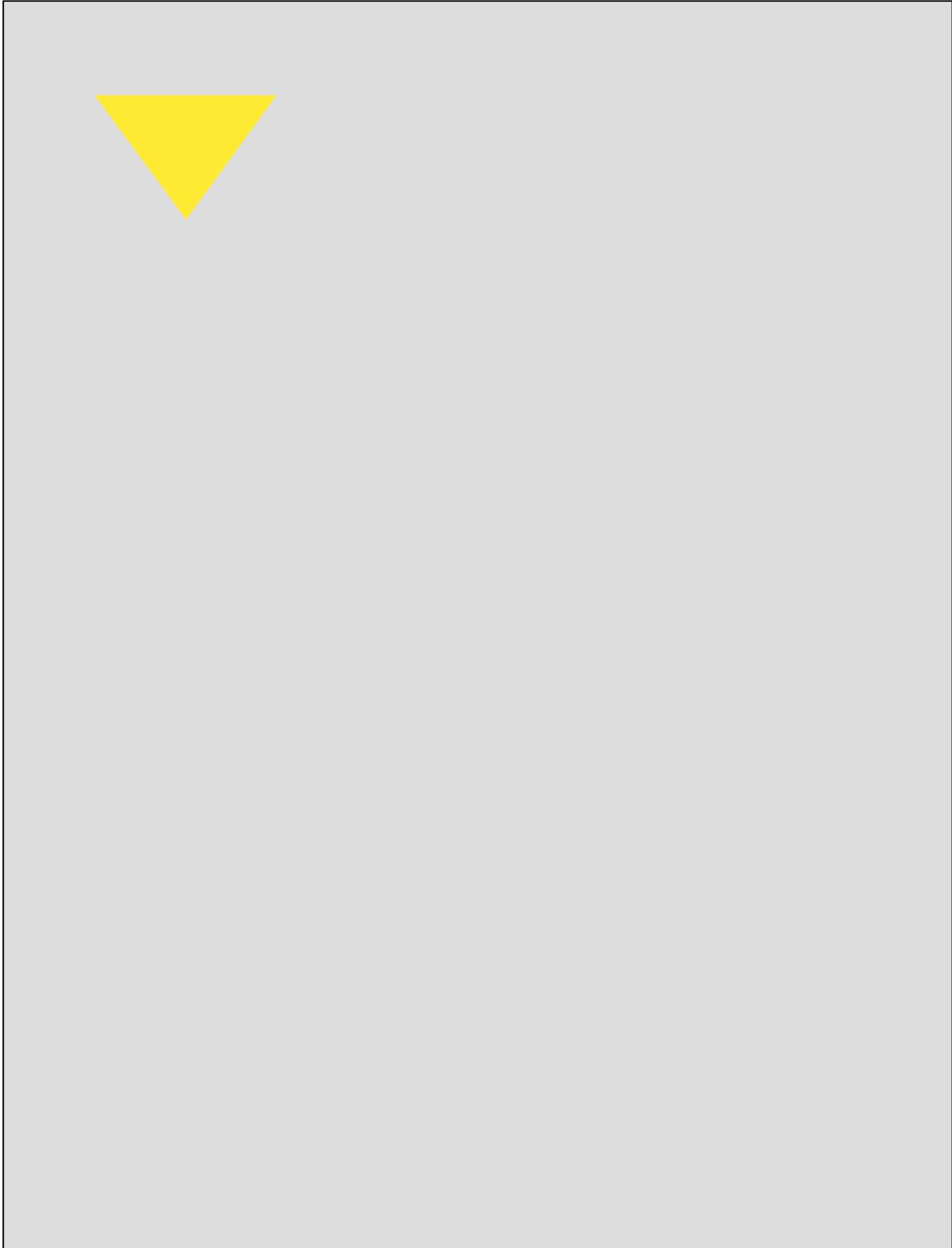
The school must submit its complete challenge to the appropriate entity identified by the guarantor/servicer code on the loan record detail report. For a list of the appropriate entities, please see page 3 of Appendix A for FFEL Program loans and page 1 of Appendix B for Direct Loan Program loans.

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

The following should be sent to each entity identified by the guarantor/servicer code on the loan record detail report for which a school alleges errors.

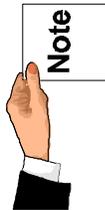
<p>The section behind Tab 1 contains:</p> <ul style="list-style-type: none"> ◆ A letter on the school's letterhead with— <ul style="list-style-type: none"> ❖ the school's OPE ID number; ❖ a statement indicating that the school is submitting a draft data challenge; ❖ the current fiscal year to which the draft data challenge applies; <p style="text-align: center;">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 53 in this section for the FY 1997 Draft Data Challenge sample letter.</p>	<p>Tab 1</p>
<p>The section behind Tab 2 contains:</p> <ul style="list-style-type: none"> ◆ A list, in spreadsheet format, of the school's alleged data errors in the draft cohort default rate relating to the appropriate entity identified by the guarantor/servicer code listed on the loan record detail report. <p>Please refer to page 54 in this section for a sample spreadsheet and detailed instructions on how to create the FY 1997 Draft Data Challenge spreadsheet.</p>	<p>Tab 2</p>
<p>The section behind Tab 3 contains:</p> <ul style="list-style-type: none"> ◆ Relevant pages of pertinent loan record detail reports. 	<p>Tab 3</p>
<p>The section behind Tab 4 contains:</p> <ul style="list-style-type: none"> ◆ Relevant supporting documentation. 	<p>Tab 4</p>

School's Draft Data Challenge Cover Letter for **Each** Relevant Entity

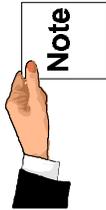


Draft Data Challenge

How to fill out FY 1997 Draft Data Challenge Spreadsheet



Fill out a separate spreadsheet for each entity identified by the guarantor/servicer code for which the school alleges errors.

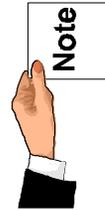


Enter **FY 1997 Draft Data Challenge** in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, and the guarantor/servicer code and corresponding name.

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.

The students listed on the spreadsheet should be sorted by:

1. Student's Social Security number
2. Loan type.



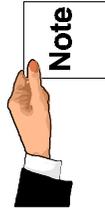
Enter the student's Social Security number (SSN) using hyphens to separate the numbers (for example, 000-00-0000)

Enter the student's name.

Enter the loan type. Use FFEL/SF (Federal Family Education Loan/Stafford), DL/SF (Direct Loan/Stafford), or SLS (Supplemental Loan for Students) to identify the type of loan.

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.

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



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.

Enter the fiscal year(s) for cohort default rates which may be changed as a result of the data correction.

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 its cohort default rate calculation.

Enter any comments.

School's Draft Data Challenge Spreadsheet for **Each** Relevant Entity

FY 1997 Draft Data Challenge

1. Student's SSN	2. Student's Name	3. Type of loan (FFEL/SF, DL/SF, or SLS)	4. Earlier of LDA or LTH (MM/DD/CCYY)	5. Date entered repayment (DER) (MM/DD/CCYY)	6. CPD, DD, ICRD, or N/A (MM/DD/CCYY) or (MM/DD/CCYY)	7. FY(s) appl.	8. Effect on CDR calc. (N,D, or B)	Comments
222-22-2222	Jessica Garcia	FFEL/SF	01/15/1997	07/16/1997	N/A	FY 1997	+D	Student was erroneously excluded and should be added to the D of the FY 1997 calculation.
333-33-3333	David Smith	FFEL/SF	11/12/1995	05/13/1996	09/05/1998	FY 1997 FY 1996	-B +D	Student was erroneously included and should be removed from the B of the FY 1997 calculation and added to the D of the FY 1996 calculation

