

Information for Guaranty Agencies on Draft Data Challenges

BACKGROUND

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 Federal Family Education Loan (FFEL) Program loans for which it currently maintains the guaranty. The response must be sent to the school by the guaranty agency within **thirty (30) calendar days** of receipt of the school's timely submitted draft data challenge.¹

In its response, the guaranty agency must address 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.



Note

Once the guaranty agency responds to a school's draft data challenge, the guaranty agency is not required to respond to subsequent challenges submitted by the school if the 30 calendar day time frame to submit such challenges has expired.

¹ 34 CFR §668.17(j)(3)

Q . Who is responsible for responding to draft data challenges on loans currently maintained by the Department?

A . **The Department's Default Management Division** will respond to a school's allegations regarding **FFEL Program loans currently held by the Department**.

The **Department's Direct Loan servicer** will respond to a school's allegations regarding **Direct Loan Program loans**.

TYPES OF ALLEGATIONS

The following are examples of various types of allegations a school may submit to a guaranty agency as a part of a draft data challenge.

Incorrect last date of attendance (LDA) or date entered repayment (DER)

If a school alleges that the LDA or DER listed for a loan is incorrect, the guaranty agency should review the supporting documentation submitted by the school. If the guaranty agency determines that the submitted documentation supports the school's allegation, the guaranty agency should update the LDA and/or DER in its system and submit all necessary changes to the National Student Loan Data System (NSLDS). However, if the documentation submitted by the school during the draft data challenge was never originally received by the guaranty agency or lender, or was not received in a timely manner, and the school has not provided proof that it submitted the documentation to the guaranty agency or lender in a timely manner, the guaranty agency should respond that the LDA and DER were determined based on the best information available at the time, and therefore, no change is warranted.

Loan converted using date-specific or month-specific methodology

The repayment date for FFEL Program Stafford Loans must be date-specific (for example, 2/16/1996) NOT month-specific (for example, 2/1996) if the loan was converted into repayment in or after March 1996.

If a school makes an allegation regarding the method the lender used to convert the loan into repayment in or after March 1996, the guaranty agency should review its records to verify that the lender converted the loan into repayment using date-specific methodology. If the lender failed to use date-specific methodology, the guaranty agency should correct the DER accordingly and submit the change to NSLDS. If the lender did use date-specific methodology, the guaranty agency should respond that no change is warranted.

Insufficient Grace Period

If a school alleges that a loan received an insufficient grace period, the guaranty agency should verify the accuracy of the DER as listed in the school's loan record detail report. If the DER is listed incorrectly, the guaranty agency should correct the DER in its system and submit the necessary changes to NSLDS. If the DER is listed correctly, the guaranty agency should respond to the school that the information as listed in the loan record detail report is correct based on data that was timely provided to the lender/servicer and/or guaranty agency.

Insufficient Delinquency Period

If a school alleges that a loan received an insufficient delinquency period, the guaranty agency should verify the accuracy of the DER and default date as listed in the school's loan record detail report. If the DER and/or default date are listed incorrectly, the guaranty agency should correct the information in its system and submit the necessary changes to NSLDS. If the DER and/or default date are listed correctly, the guaranty agency should respond to the school that the information as listed in the loan record detail report is correct based on data that was timely provided to the lender/servicer and/or guaranty agency.

Loan repurchased by the lender

If a school alleges that a loan was repurchased by the lender and should be removed from the numerator of the cohort default rate calculation, the guaranty agency 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 was an **uninsured loan**. Uninsured loans are not included in either the numerator or the denominator of the cohort default rate calculation.

- ◆ If the loan was repurchased because the lender incorrectly submitted the loan to the guaranty agency and the lender **immediately** requested the loan be returned, the loan was not a defaulted loan and should be removed from the numerator of the cohort default rate calculation, UNLESS the lender subsequently submitted another claim on the loan and that claim was paid within the cohort period the loan entered repayment.
- ◆ If the loan was repurchased 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 loan is still considered a defaulted loan for cohort default rate purposes and should be included in both the numerator and denominator of the cohort default rate calculation, UNLESS the loan meets the rehabilitation criteria discussed in the special circumstances chart on page 16.

Linking a FFEL Program SLS Loan and a FFEL Program Stafford Loan

If a school makes an allegation regarding the linkage of an FFEL Program SLS loan to an FFEL Program Stafford loan, the guaranty agency should review the data associated with the loans in question and for any FFEL Program SLS loan that was NOT reported in a cohort period prior to FY 1993, apply the following:

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

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

Under the above guidelines, which were implemented beginning with 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 FFEL Program SLS loan that was reported in a cohort period prior to FY 1993 will remain in that cohort period and not be reported again.

TIMING

What are the time frames for a guaranty agency to respond to 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, within **thirty (30) calendar days** of receipt of the school's challenge.²

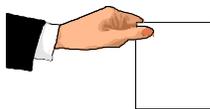
RESPONDING

How should a guaranty agency respond to a school's draft data challenge?

Step 1: Verify the timeliness of the school's draft data challenge.

- ◆ If the school sent its draft data challenge within **thirty (30) calendar days** of the school receiving its draft loan record detail report, the guaranty agency should proceed to Step 2.

² 34 CFR § 668.17(j)(3)



If the school's submission due date falls on a weekend or a federal holiday, a school may send its draft data challenge to the guaranty agency no later than the next federal business day.

- ◆ If the school did not send its draft data challenge within **thirty (30) calendar days**³ of the school receiving its draft loan record detail report, the guaranty agency should NOT review any part of the school's draft data challenge. In its response to the school, the guaranty agency should explain that it is unable to review the challenge because the school missed the regulatory deadline. The guaranty agency should refer the school to the "Challenging Draft Data" section beginning on page 37 of this guide, and simultaneously send a copy of the letter to the Department.



Note

The Department mails draft loan record detail reports for all schools at an announced time and tracks the school's receipt of these reports. Before denying a schools' challenge on the basis of a late submission, a guaranty agency should contact the Department to verify the actual date the school received its draft loan record detail report.

Step 2: Review each allegation submitted by the school.

- ◆ Check to see if all relevant material is present including but not limited to:
 - ❖ a **spreadsheet** identifying the loans that the school is requesting the guaranty agency review;
 - ❖ a copy of **relevant pages from the relevant loan record detail report(s)**.

Each draft data challenge must be accompanied by *at least one page* of a loan record detail report;

³ 34 CFR § 668.17(j)(2).

- A school should include the page of the loan record detail report where the borrower appears, or where the borrower should appear. A school should 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 moved from one year to another, a school should 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.

❖ relevant **supporting documentation** including, but not limited to:

- a signed and dated copy of a letter to the relevant lender or guaranty agency that informs the entity of the student's last date of attendance;

AND/OR

- a signed and dated copy of a Student Status Confirmation Report (SSCR) or an NSLDS SSCR screen print that confirms the student's last date of attendance;

AND/OR

- a copy of a cancelled check, front and back, or other documentation showing that the student's loan was cancelled in full within 120 days of disbursement by the lender.



If a school fails to provide the guaranty agency with all the necessary information to challenge its draft data as identified in the “Challenging Draft Data” section beginning on page 37, the guaranty agency may ask the school to submit the missing information to complete the draft data challenge. However, the school must submit this additional information to the guaranty agency within the 30 calendar day deadline for submitting draft data challenges.

- ◆ Research each allegation to determine if documentation maintained by the guaranty agency supports or refutes the school’s allegation.

- ◆ Make a determination on each allegation listed on the school’s spreadsheet.
 - ❖ Agree with the school if the documentation maintained by the guaranty agency supports the school’s claim.

 - OR

 - ❖ Disagree with the school if the documentation maintained by the guaranty agency refutes the school’s claim.

Step 3: Compile a list of the guaranty agency’s responses for the school’s alleged errors.

- ◆ Record all guaranty agency responses to each of the school's alleged errors using the **FY 1997 Response to Draft Data Challenge** spreadsheet.

Please refer to page 82 of this section for a sample spreadsheet and detailed instructions on how to complete the spreadsheet.

- ◆ Provide an explanation for each of the school's allegations explaining why the guaranty agency agrees or disagrees with the school's allegation.

Examples:

School

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 shows 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. Electrical Training Institute sent a copy of the FY 1997 draft loan record detail report where David Smith currently appears and a copy of the FY 1996 official loan record detail report showing where David Smith should have been included but was not. Electrical Training Institute also submitted a copy of a letter sent to David's lender and the relevant guaranty agency notifying the lender and the guaranty agency of David's change in enrollment status.

**Guaranty
Agency
Response to
School**

Allegation 1: **Disagree** that the student should be removed from the FY 1997 cohort default rate calculation and added to the FY 1996 cohort default rate calculation. The supporting documentation provided by the school, which indicates that David's last date of attendance was 11/12/1995, was dated 11/15/1995. The school subsequently submitted a student status confirmation report dated 12/30/1995 indicating that the student re-enrolled on a full-time basis on 12/29/1995. The guaranty agency's records indicate that the student did not drop below half-time status again until 2/2/1997. As a result, the loan entered repayment on 8/3/1997 and the student defaulted on the loan on 9/5/1998. Therefore, the loan should remain in the numerator and denominator of the FY 1997 cohort default rate calculation.

School

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

student status confirmation report confirming Jessica's last date of attendance.

**Guaranty
Agency
Response to
School**

Allegation 2: Agree that the student should be added to the D of the FY 1997 cohort default rate calculation. The guaranty agency's records contain a copy of the relevant student status confirmation report submitted by the school and do not contain any other evidence to suggest that Jessica left school on another date.

Step 4: Submit the draft data challenge response to the school within thirty (30) calendar days of the receipt of the school's timely submitted draft data challenge.

- ◆ The Department recommends that the Guaranty Agency submit its completed response to the draft data challenge on Guaranty Agency letterhead, with the spreadsheet 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.

The recommended materials for the guaranty agency response are shown on the next page.

Component 1

The section behind Component 1 contains:

- ◆ A letter on the guaranty agency's letterhead with—
 - ❖ the school's OPE ID number;
 - ❖ the school's name;
 - ❖ a statement indicating that the guaranty agency is responding to the school's draft data challenge;
 - ❖ the fiscal year to which the draft data challenge response applies;
- AND
- ❖ the signature of the guaranty agency official, followed by a signature block providing the signer's name and job title.

Please refer to page 81 in this section for the **FY 1997 Response to Draft Data Challenge** sample letter.

Component 2

The section behind Component 2 contains:

- ◆ A list in spreadsheet format, of the guaranty agency's responses to the school's alleged errors in the draft cohort default rate data.

Please refer to page 82 in this section for a sample spreadsheet and detailed instructions on how to create the **FY 1997 Response to Draft Data Challenge** spreadsheet.

Guaranty Agency's Draft Data Challenge Cover Letter for **Each** School



State Guaranty Agency

1234 Trueman Road
Lusby, North Carolina 98765-4321
(111) 222-3333

Sample Letter

[date]

[school official's name]

OPE ID#: *[OPE ID#]*

[school official's title]

[school's name]

[address]

[city], [state] [zip]

Subject: FY 1997 Response to Draft Data Challenge

[Dear Mr. or Ms.] [last name]:

This is in response to *[school name's]*, **OPE ID#** *[OPE ID#]*, request for verification of error in the FY 1997 draft cohort default rate data.

Please see the enclosed spreadsheet.

Sincerely,

Robert Anderson

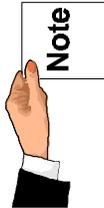
[name and title of official]

Enclosure

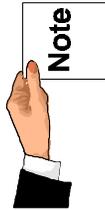
cc: U.S. Department of Education, Default Management Division

Draft Data Review Challenge Response

How to fill out FY 1997 Response to Draft Data Challenge Spreadsheet



for each school

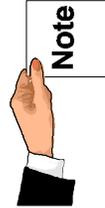


Enter **FY 1997 Response to Draft Data Challenge** in the center of the header area. In the left-hand area, enter the guaranty agency name, school's name, and the school's OPE ID number.

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 date) according to the guaranty agency's records.

Enter MM/DD/CCYY to identify the DER (date the loan entered repayment) according to the guaranty agency's records.

Enter MM/DD/CCYY or MM/CCYY to identify the CPD (claim paid date) according to the guaranty agency's records.

Enter the fiscal year in which the guaranty agency believes the loan should be included.

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 guaranty agency believes the information will affect the school's draft cohort default rate calculation.

Enter any comments.

Guaranty Agency's Response to Draft Data Challenge Spreadsheet for **Each** School

FY 1997 Response To 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/CCYY)	7. FY(s) appl.	8. Effect on CDR calc. (N,D, or B)	9. Comments
222-22-2222	Jessica Garcia	FFEL/SF	01/15/1997	07/16/1997	N/A	FY 1997	+D	Agree. Student was erroneously excluded and should be added to the D of the FY 1997 calculation.
333-33-3333	David Smith	FFEL/SF	02/02/1997	08/03/1997	09/05/1998	FY 1997	B	Disagree. Per SSCR dated 12/30/1995, the student re-enrolled prior to the expiration of his grace and did not drop below half-time status again until 2/2/1997. Loan should remain in the FY 1997 B based on an 8/3/1997 DER.

