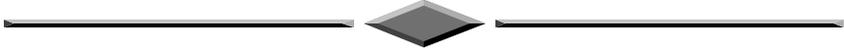


Participation Rate Index Appeal



This section is divided into two parts. The first part (pages 231 through 244) provides background information on the participation rate index appeal and outlines the process and procedures for submitting a participation rate index appeal. The second part (pages 245 through 250) provides an example of a situation that would warrant the submission of a participation rate index appeal and sample material as it would pertain to a participation rate index appeal.

To understand the participation rate index appeal process, the U.S. Department of Education (Department) recommends that the reader review both parts of this section. In addition, since a participation rate index appeal is a type of exceptional mitigating circumstances appeal, please refer to the “Exceptional Mitigating Circumstances Appeal” section beginning on page 221 for additional information that applies to all exceptional mitigating circumstances appeals, including the participation rate index appeal.

PART I: Background, Process, and Procedures

QUALIFYING

What is a participation rate index?

A participation rate index is the percentage of a school's students that obtain Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans multiplied by the school's cohort default rate.

Please refer to page 235 for a more in-depth discussion on how to calculate a participation rate index.

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

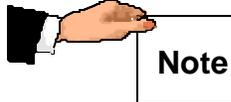
Only a school that can demonstrate that it has a participation rate index equal to or less than 0.0375 for any of the three most recent fiscal years (FY) for which data are available AND is subject to the following sanctions as a result of the school's official cohort default rates may submit an exceptional mitigating circumstances appeal based upon its participation rate index:

- **initial loss** of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility;

OR

- **extended loss** of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility.

Please refer to pages 36 through 38 of the "Cohort Default Rate Effects" section for information on sanctions and consequences based on official cohort default rates.



Note

A participation rate index appeal does NOT alleviate the consequences associated with a cohort default rate that exceeds the limitation, suspension, and/or termination (LS&T) threshold (i.e., 40.1 percent or greater). However, if a school is subject to initial or extended loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program AND LS&T of all Title IV Student Financial Assistance Programs, the school may submit a participation rate index appeal to alleviate the initial or extended loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program.

This checklist on the next page summarizes the eligibility criteria for a participation rate index appeal. A school should review the checklist to determine if it can appeal on the basis of its participation rate index.

Q. If a school is ONLY subject to LS&T (not initial or extended loss of loan and/or Federal Pell Grant Program eligibility), can it submit a participation rate index appeal?

A. No, only those schools subject to initial or extended loss of loan and/or Federal Pell Grant program eligibility can submit a participation rate index appeal.



Participation Rate Index Appeal Eligibility Checklist

To be eligible to submit a participation rate index appeal, a school must meet BOTH of the following criteria:

- The school is subject to initial or extended loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program.

AND

- The school's participation rate index is equal to or less than 0.0375 for any of the three most recent fiscal years for which data is available (in this case FY 1998, FY 1997, and/or FY 1996).

How can a participation rate index appeal affect a school's loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program?

If the Department determines that a school has a participation rate index of 0.0375 or less for any of the three most recent fiscal years for which data is available, the Department will withdraw its notification of loss or extension of loss of the school's eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program.¹

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

A school may choose to base its participation rate index on any of its three most recent official cohort default rates (in this case FY 1998, FY 1997, and/or FY 1996).

¹ 34 CFR Section 668.17(c)(1)(ii)(A)

Q. Does a successful participation rate index appeal change a school's cohort default rate?

A. No, successful participation rate index appeals do not have any effect on the calculation of a school's cohort default rate.

**Note**

Because a school can submit a participation rate index appeal for any of its three most recent official cohort default rates, a school that has submitted a successful participation rate index appeal for either of its two previous official cohort default rates (in this case FY 1997 and/or FY 1996) will not be subject to initial or extended loss of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility. The Department will automatically identify any school that has submitted a successful participation rate index appeal for either of the two previous cohort periods. These schools will be notified that the school is NOT subject to loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program even if the schools' three most recent official cohort default rates are equal to or greater than 25.0 percent.

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

Yes, the school must base the participation rate index appeal on a 12-month period that has ended during the six months immediately preceding the fiscal year for which the cohort of students used to calculate the school's cohort default rate is determined.²

Please refer to pages 226 through 229 of the "Exceptional Mitigating Circumstances Appeal" section for a description of acceptable 12-month periods.

² 34 CFR 668.17(c)(1)(ii)(A)

How does a school calculate its participation rate index?

The **participation rate index** is calculated as follows:

<p>the school's relevant cohort default rate</p>	<p>X</p>	<p>number of regular students included in the denominator who received an FFEL Program loan and/or Direct Loan Program loan for a loan period that overlaps the selected 12-month period by at least one day</p>
		<p>number of regular students enrolled on at least a half-time basis during any part of the selected 12-month period</p>

Note A school must select a 12-month period that ends during the six months immediately preceding the fiscal year, which is used to determine the cohort default rate used to calculate its participation rate index. Information on how to select an acceptable 12-month period is provided on pages 226 through 229 in the "Exceptional Mitigating Circumstances Appeal" section.

Q. What is a regular student?

A. A regular student is defined as a person who is enrolled, or accepted for enrollment, at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution as defined in 34 CFR Section 600.2.

Note To succeed on a participation rate index appeal, the school must have a participation rate index of 0.0375 or less. Please refer to the next page for an example.

Example: Welding School's FY 1998 official cohort default rate is 25.0 percent. Welding School had a total of 200 regular students enrolled on at least a half-time basis during any part of the selected 12-month period. Of those 200 students, 14 borrowers received an FFEL Program loan for a loan period that overlapped the selected 12-month period by at least one day and 12 different borrowers received a Direct Loan Program loan for a loan period that overlapped the selected 12-month period by at least one day. Welding School's participation rate index is calculated as follows:

$$0.250 \times \frac{14 \text{ (FFEL)} + 12 \text{ (DL)} = 26}{200} = 0.0325$$

Which students are included in the denominator of the participation rate index?

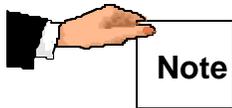
To be included in the denominator of the participation rate index, a student must have been—³

- a "regular student" (i.e., a student that enrolled, or was accepted for enrollment, at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school);
 - enrolled on at least a half time basis;
- AND
- enrolled for at least one day in the 12-month period selected by the school.

Q. If a student has a break in enrollment and leaves school, then returns and begins a new enrollment period, all during the selected 12-month period, which enrollment dates should the school use?

A. A school should list both enrollment periods. However, the student will only be counted once in the participation rate index calculation.

³ CFR Section 668.17(c)(1)(ii)(A)

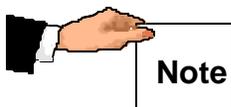


A student's **entire** enrollment period does NOT have to fall within the selected 12-month period. A student that enrolled **prior** to the 12-month period but completed/withdrew from the program of study **during** the 12-month period is considered to have been enrolled during the 12-month period. In addition, a student that enrolled **during** the 12-month period but completed/withdrew from the program of study **after** the 12-month period is considered to have been enrolled during the 12-month period. Finally, a student that enrolled **prior** to the 12-month period and continued to be enrolled until **after** the 12-month period is considered to have been enrolled during the 12-month period.

Which borrowers are included in the numerator of the participation rate index?

To be included in the numerator of the participation rate index, the borrower must first be included in the denominator of the participation rate index calculation. If a borrower is included in the denominator of the participation rate index calculation and meets the following conditions, the borrower will also be included in the numerator of the calculation:⁴

- the borrower received an FFEL Program and/or Direct Loan Program loan;
- AND
- the FFEL Program and/or Direct Loan Program loan period overlaps the 12-month period selected by the school by at least one day.



If any part of the loan period falls within the 12-month period, the student must be identified and counted as having received a loan.

Q. If a borrower has more than one loan with a loan period that falls during the selected 12-month period, which loan data should a school reference in its appeal?

A. A school should list both loans. However, the borrower will only be counted once in the participation rate index calculation.

⁴ HEA Section 435(a)(6)(A)

TIMING AND SUBMITTING

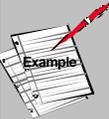
What are the time frames and procedures for submitting a participation rate index appeal?

Timing is critical when submitting a participation rate index appeal.

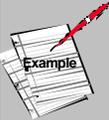
The following is a step by-step description of the time frames and procedures associated with a participation rate index appeal.



Time frames may overlap. Read ALL steps.



Please refer to page 247 for an example of a situation that would warrant the submission of a participation rate index appeal.



Please refer to page 249 for an example of the spreadsheet.

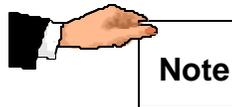
Step 1: Within **30 calendar days**⁵ of receiving the school's official cohort default rate notification letter, a school must **review this Guide to determine if the school is eligible** to submit a participation rate index appeal.

Please refer to page 232 for a detailed discussion regarding which schools are eligible to submit a participation rate index appeal.

Step 2: If the school is eligible to submit a participation rate index appeal, **within the time frame described in Step 1**, (i.e., within 30 calendar days of receiving the school's official cohort default rate notification letter) a school must compile a spreadsheet to list and count the students who will be included in the school's participation rate index.

A school should refer to the Participation Rate Index Appeal SPREADSHEET and SPREADSHEET INSTRUCTIONS on pages 249 and 248, respectively, to assist in developing the list.

⁵ 34 CFR Section 668.17

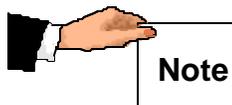
**Note**

If a school **does NOT** have any students that received FFEL Program and/or Direct Loan Program loans with loan periods that overlap the selected 12-month period, the school does NOT have to submit a participation rate index appeal SPREADSHEET to the Department. However, the school must send the Department, within 30 calendar days of receiving the school's official cohort default rate notification letter, a LETTER which identifies the school's selected 12-month period and indicates that the school did not have any students that received FFEL Program and/or Direct Loan Program loans with loan periods that overlap the 12-month period in question.

If a school **does have** students that received FFEL Program and/or Direct Loan Program loans that have loan periods that overlap the school's selected 12-month period, the school must follow the steps outlined in this guide in order for the Department to consider the school's participation rate index appeal.

A school should provide the following information on the spreadsheet:

- the school's **name** and **OPE ID Number**;
- the school's **official cohort default rate** that will be used to calculate the school's participation rate index;
- the beginning and ending dates for the **12-month** period on which the school is basing its participation rate index;

**Note**

For information on selecting an acceptable 12-month period, please refer to pages 226 through 229 of the "Exceptional Mitigating Circumstances Appeal" section.

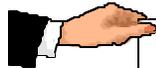
Q. What is a regular student?

A. A regular student is defined as a person who is enrolled, or accepted for enrollment, at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school as defined in 34 CFR Section 600.2.

- the **Social Security numbers**, in numerical order, of all the regular students enrolled on at least a half-time basis during any part of the selected 12-month period;

These are the students that will be included in the **denominator** of the participation rate index calculation.

- for each Social Security number, list the **student's name**;
- for each student, provide beginning and ending **enrollment dates** [For all enrollment dates, include the month, day, and year (MM/DD/CCYY)];



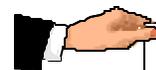
Note

If a student was enrolled at the school more than once during the selected 12-month period, list each set of enrollment dates. However, the student will only be counted once in the calculation.

- if the student **received an FFEL Program and/or a Direct Loan Program loan** with a loan period that overlaps the selected 12-month period, enter the type of loan(s) received (if not, do not make an entry);

These are the borrowers that will be included in **numerator** of the participation rate index calculation.

- for each borrower with an FFEL Program loan and/or a Direct Loan Program loan identified, provide the beginning and ending dates of the **loan period**;

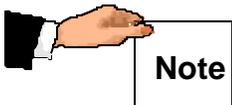


Note

If the borrower has more than one loan, list the loan periods associated with each loan. However, the borrower is only counted once in the calculation.

Step 3: **Within the time frame described in Step 1**, (i.e., within 30 calendar days of receiving the school's official cohort default rate notification letter) a school must **calculate its participation rate index**.

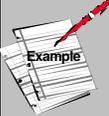
- Identify the school's relevant official cohort default rate which can be found on the school's official cohort default rate notification letter.
- From the Participation Rate Index Appeal SPREADSHEET created in Step 2, count the number of borrowers who received an FFEL Program and/or Direct Loan Program loan during the selected 12-month period and whose loan periods overlap the 12-month period by at least one day. **These are the borrowers who will be included in the numerator of the participation rate index.**
- From the Participation Rate Index Appeal SPREADSHEET created in Step 2, count the total number of students listed on the spreadsheet. **These are the students who will be included in the denominator of the participation rate index.**
- Divide the number of borrowers who received an FFEL Program and/or Direct Loan Program loan during the selected 12-month period and whose loan periods overlap the 12-month period by at least one day by the number of students listed on the spreadsheet and multiply the result by the relevant official cohort default rate identified by the school. **This is the school's participation rate index.**



For a successful appeal, the school's participation rate index must be 0.0375 or less.



Due date for submitting the appeal to the Department.



Please refer to page 250 for a sample letter.

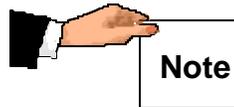
Step 4: Within the time frame described in Step 1, (i.e., within 30 calendar days of receiving the school's official cohort default rate notification letter) the school must submit the following to the Department at the address provided on page 244:

- a letter indicating that the school is submitting its participating rate index appeal;

A school should refer to the format of the Sample Participation Rate Index Appeal LETTER on page 250.

AND

- the Participation Rate Index Appeal SPREADSHEET created in Step 2.

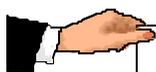


Schools are **not** required to submit an independent auditor's attestation to support the school's participation rate index appeal.

The following page provides an overview of the MATERIAL that should be included in a school's participation rate index appeal.

Within the time frames described in Step 4 on page 242, the following **MATERIAL**, to support a participation rate index appeal, should be sent to the Department's Default Management Division at the address shown on page 244.

<p>The section behind Tab 1 contains:</p> <p>A LETTER on the school's letterhead with—</p> <ul style="list-style-type: none"> ◆ the school's OPE ID number; ◆ a statement indicating that the school is submitting a participation rate index appeal; ◆ the relevant cohort default rate on which the appeal is based; ◆ a certification sentence that indicates that the information provided in the appeal, under penalty of perjury, is true and correct; ◆ a list of the other adjustments/appeals the school intends to submit to the Department; <p>AND</p> <ul style="list-style-type: none"> ◆ the signature of the school's President/ CEO/Owner, followed by a signature block providing the signer's name and job title. <p>Schools should refer to the sample Participation Rate Index Appeal LETTER on page 250.</p>	<p>Tab 1</p>
<p>The section behind Tab 2 contains:</p> <p>A SPREADSHEET of the school's students included in the participation rate index.</p> <p>Schools should refer to the Sample Participation Rate Index Appeal SPREADSHEET and SPREADSHEET INSTRUCTIONS on pages 249 and 248, respectively, to assist in developing the list.</p>	<p>Tab 2</p>

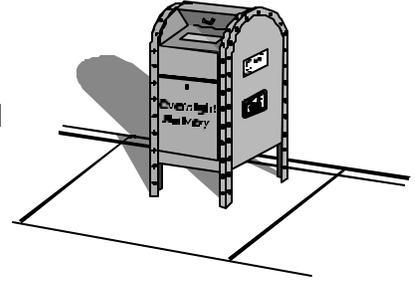


Note

The Department will not consider information submitted after the regulatory deadline. The Department will send the school written notification of its decision.

If sent by commercial overnight mail/courier delivery, send the school's participation rate index appeal to:

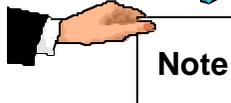
U.S. Department of Education
Default Management Division
ATTN: Participation Rate Index Appeal
Portals Building, Room 6300
1250 Maryland Avenue, SW
Washington, DC 20024



If sent by U.S. Postal Service, send the school's participation rate index appeal to:



U.S. Department of Education
Default Management Division
ATTN: Participation Rate Index Appeal
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.

The Department recommends that a school send all appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its appeal. A school should maintain the documentation which verifies the receipt of the appeal related material. In addition, a school should retain copies of all documentation submitted as a part of the appeal process.

PART II: Examples and Supporting Material

Part II of the “Participation Rate Index Appeal” section outlines a situation in which a school would benefit from submitting a participation rate index appeal. This part also provides sample material that should be referenced by a school when compiling the material that must be submitted by a school during the participation rate index appeal process.

CONTENT REFERENCE FOR PART II

EXAMPLE of a situation that warrants the submission of a Participation Rate Index Appeal.....	247
Participation Rate Index Appeal SPREADSHEET INSTRUCTIONS.....	248
Sample Participation Rate Index Appeal SPREADSHEET	249
Sample Participation Rate Index Appeal LETTER.....	250

EXAMPLE of a situation that warrants the submission of a Participation Rate Index Appeal

Welding School received notification of its FY 1998 official cohort default rate on September 30, 2000.

Within 30 calendar days of receiving its FY 1998 official cohort default rate, the school:

- determined that it was eligible and would benefit from submitting a participation rate index appeal;

According to the FY 1998 official cohort default rate notification letter, Welding School is subject to initial loss of eligibility to participate in the FFEL Program, Direct Loan Program, and Federal Pell Grant Program. The school believes its participation rate index is below the 0.0375 threshold.

- selected its FY 1998 official cohort default rate as the cohort default rate on which its participation rate index would be based (please refer to page 233 for information on which cohort default rates a participation rate index appeal may be based);
- identified April 2, 1996 - April 1, 1997 as an acceptable 12-month period for its participation rate index calculation (please refer to pages 226 through 229 for information on how to identify an acceptable 12-month period);
- prepared a SPREADSHEET that lists the students included in its participation rate index calculation (please refer to the Sample Participation Rate Index Appeal SPREADSHEET on page 249);
- prepared a LETTER to the U.S. Department of Education's Default Management Division for its participation rate index appeal (please refer to the Sample Participation Rate Index Appeal LETTER on page 250);

On October 10, 2000, Welding School mailed the MATERIAL associated with its participation rate index appeal return receipt requested to the Department's Default Management Division at the address found on page 244.

Participation Rate Index Appeal SPREADSHEET INSTRUCTIONS

On Row 6 and below, include the following data for each student who is included in the school's participation rate index.

Column 1: Enter the student's Social Security number (SSN) using hyphens to separate the numbers (for example, 000-00-0000) for all of the regular students enrolled on **at least a half-time basis** during any part of the selected 12-month period. (No student will be counted more than once in the calculation.) **These are the students that will be counted in the denominator of the participation rate index.**

Column 2: Enter the student's name.

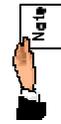
Column 3: Enter MM/DD/CCYY (month, day, year) to identify the student's beginning enrollment date and ending enrollment date.

Column 4: Enter FFEL or DL if the student received an FFEL Program loan (FFEL) or a Direct Loan Program loan (DL) for a loan period that overlaps with any part of the selected 12-month period. Leave blank if the student did not receive a loan or the loan period does not overlap with any part of the 12-month period.



If any part of the loan period falls within the selected 12-month period, the borrower must be identified and counted as having received a loan during the selected period. These are the borrowers that will be included in the numerator of the participation rate index.

Column 5: If a loan was received, enter MM/DD/CCYY to identify the beginning date and ending date of the loan period. If Column 4 is not filled out, leave this column blank.



If the borrower has more than one loan, list the loan periods associated with each loan. However, the borrower is only counted once in the calculation.

List and count the students who will be included in the calculation of the school's participation rate index using a spreadsheet software application such as Excel or Lotus 1-2-3. The final printed spreadsheet must be sent to the Department.

The spreadsheet should be printed on 8 1/2" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header: Enter **Participation Rate Index Appeal based on the FY [insert year]/Official Cohort Default Rate** in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, the school's applicable cohort default rate, and the school's selected 12-month period.

Footer: Enter the date the spreadsheet was prepared 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.

Sort: The students listed on the spreadsheet should be sorted by the student's Social Security number OR by the student's last name, followed by first name.

On Rows 1, 2, 3, and 4, use the draw tool to draw a rectangle covering lines A1 to E4. Using the text-box tool, draw another box for Box A information. In this box, enter the school's applicable cohort default rate, the number of students who received FFEL Program and/or Direct Loan Program loans (the numerator of the participation rate index listed in Column 4), the number of regular students (the denominator of the participation rate index listed in Column 1), and the school's participation rate index.

On Row 5, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet.

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

Sample Participation Rate Index Appeal **SPREADSHEET**

School Name: Welding School
 OPE ID Number: 000050
 Cohort Default Rate: FY 1998 Official CDR = 25.0%
 12-Month Period: 4/2/1996-4/1/1997

**Participation Rate Index Appeal
 based on the FY 1998 Official Cohort Default Rate**

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Box A</td> </tr> <tr> <td> Applicable Cohort Default Rate 25.0% No. of Borrowers Receiving FFEL/DL loans (reported in column 4) 26 No. of Regular Students (listed in column 1) 200 Participation Rate Index 0.0325 </td> </tr> </table>					Box A	Applicable Cohort Default Rate 25.0% No. of Borrowers Receiving FFEL/DL loans (reported in column 4) 26 No. of Regular Students (listed in column 1) 200 Participation Rate Index 0.0325
Box A						
Applicable Cohort Default Rate 25.0% No. of Borrowers Receiving FFEL/DL loans (reported in column 4) 26 No. of Regular Students (listed in column 1) 200 Participation Rate Index 0.0325						
1. Student's SSN	2. Student's Name	3. Student's enrollment dates <small>(from MM/DD/CCYY to MM/DD/CCYY)</small>	4. If borrower received an FFEL Program loan (FFEL) and/or Direct Loan Program loan (DL) during any part of the 12-month period, enter the type of loan received (FFEL or DL)	5. Beginning dates and ending dates of loan periods for FFEL Program and/or Direct Loan Program loans, if received <small>(from MM/DD/CCYY to MM/DD/CCYY)</small>		
111-11-1111	Jane Smith	3/15/1996-3/10/1997	FFEL	9/30/1996-3/10/1997		
222-22-2222	John Doe	6/16/1996-10/3/1997				

[send to U.S. Department of Education's Default Management Division at the address located on page 244.]

Sample Participation Rate Index Appeal **LETTER**



Welding School

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

Sample Letter

October 10, 2000

U.S. Department of Education
Default Management Division
Attn: Participation Rate Index Appeal
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID#: 000050

**Subject: Participation Rate Index Appeal based on FY 1998
Official Cohort Default Rate**

Dear Default Management Division:

Welding School, **OPE ID# 000050**, is submitting its participation rate index appeal based on its FY 1998 official cohort default rate.

I, the undersigned, certify under penalty of perjury, that our participation rate index is 0.0325 based on a 12-month period that began on April 2, 1996 and ended on April 1, 1997. I certify that all information submitted in support of this participation rate index appeal is true and correct.

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

Please see the enclosed spreadsheet.

Thank you for your consideration.

Sincerely,

Larry Travis

Larry Travis,
President

Enclosure