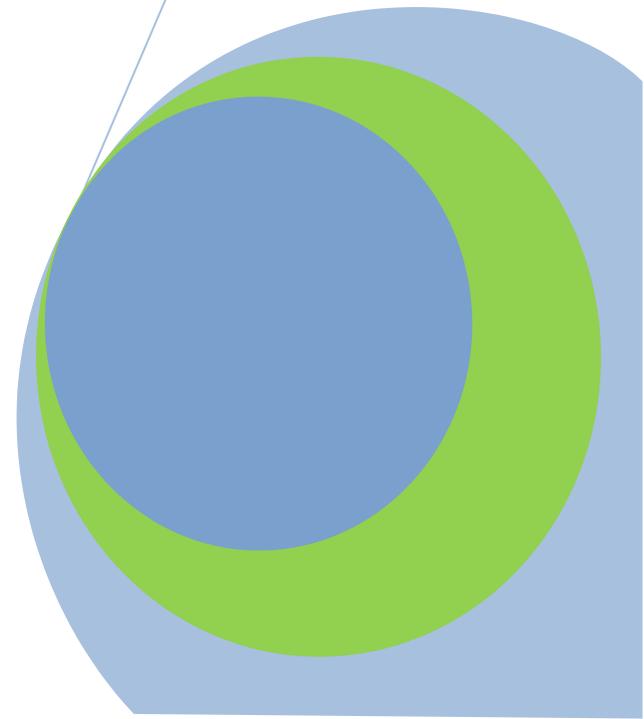


## 3.1 Reviewing Rates and Loan Data

Cohort Default Rate Management Strategies for Schools



### ***Why should a school official review this chapter?***

School officials should review this Chapter to prepare for the release of the official cohort default rates as well as to determine if the school needs to submit a challenge, adjustment, or appeal and, if so, which challenges, adjustments, or appeals the school is eligible to submit.

### ***How can a school ensure that its internal offices communicate and respond in a proper manner?***

A school should determine in advance who would have responsibility for reviewing cohort default rate related matters. It is important that there be a free flow of enrollment status information between the school office in charge of that information and the school office reviewing cohort default rate matters. The school should ensure that contacts are in place between those offices.

### ***How can a school ensure proper communication with its external partners?***

Your school may wish to designate certain staff or offices as contact points for data managers, the Department, or School Participation Teams. Be sure to update data managers, the Department, and School Participation Teams when those contacts change.

The Department recommends that schools send all cohort default rate correspondence and enrollment information correspondence to all entities via certified mail or commercial delivery, if sending via hard copy, and maintain the documentation that shows the correspondence was sent. A school should keep copies of all relevant electronic and hardcopy correspondence between the school and data managers, lenders, servicers, and the Department.

### ***How does a school receive cohort default rate correspondences?***

The Department electronically transmits cohort default rate (eCDR) notification packages to all schools, using the Student Aid Internet Gateway (SAIG) destination point administrator (DPA) designated by the school. Schools are responsible for updating SAIG enrollment information whenever changes are needed, such as a change in the designated destination point for eCDR notification. Changes to your school's SAIG enrollment information can be made on-line at the [SAIG Enrollment Site](#).

The announcement of the release date of the draft and official cohort default rates will be posted on the Information for Financial Aid Professionals (IFAP) website ([ifap.ed.gov](http://ifap.ed.gov)) under the current year electronic announcements.

Data Managers contact information is posted with other Cohort Default Rate Materials on the IFAP website:

<https://ifap.ed.gov/dm/numericaldatamgr/contacts>

***The Department sends cohort default rates to schools twice each year. Generally, the Department sends draft cohort default rates to schools in February. Official cohort default rates must be released no later than September 30<sup>th</sup>. (See Chapter 2.2, "How Schools Get the Rates & Loan Data.")***

## ***What actions can a school take to help process the draft and official cohort default rates?***

A school can begin cohort default rate preparations prior to the release of the draft or official cohort default rates. After the release of the draft or official cohort default rates, a school should review its cohort default rate data. The school should then determine if it wishes to submit a challenge, adjustment, or appeal based upon that data.

## ***How can a school prepare for the release of the cohort default rates?***

There are a number of things a school can do to prepare for the release of the cohort default rates:

- **Be aware of the school's current cohort default rate status.**  
The challenges, adjustments, or appeals a school can and should submit will be determined in part by whether or not the school is currently under sanction, and by which challenges, adjustments, and appeals the school has submitted in the past.
- **Identify its two most recent prior official cohort default rates.**  
Since some sanctions or benefits may be based on a school's three most recent official cohort default rates, schools will need to be aware of the prior cohort default rates to understand the consequences of their current cohort default rates. Schools can find this information on prior official cohort default rate notification letters or in National Student Loan Data System (NSLDS). If the school's cohort default rate was changed as the result of an adjustment or appeal, it can find this information in the determination letter the school received from the Department.
- **Begin preparing challenge, adjustment, and appeal materials.**  
See Part IV for information on the materials for certain appeal types used in challenges, adjustments, and appeals. Sample spreadsheets are within the Guide Pages under "Guide Page." If a school has already created electronic copies of the various spreadsheets and letters, it should locate those electronic copies and verify that they are ready for use.
- **Further, a school can begin calculating its participation rate index for a participation index rate challenge (see Chapter 4.2) prior to the release of the draft cohort default rates.** Similarly, a school can begin calculating its low-income rate and its placement or completion rate for an economically disadvantaged appeal (see Chapter 4.7), or its participation rate index for a participation rate index appeal (see Chapter 4.8), prior to the release of the official cohort default rates.

**A school may wish to develop a checklist, specific to the school's needs, of the activities the school needs to do before, during, and after the release of the draft and official cohort default rates.**

**See Chapter 4.2, "Participation Rate Index Challenge," Chapter 4.7, "Economically Disadvantaged Appeal," and Chapter 4.8, "Participation Rate Index Appeal."**

- **Finally, you can prepare a spreadsheet showing loan information, such as enrollment status and Date Entered Repayment, for student borrowers at your school.** See the section entitled “How does a school determine if there is inaccurate data on the LRDR?” (Chapter 2.3, “Reviewing the Loan Record Detail Report,”) for more information.

### ***How does a school determine if it should submit a challenge, adjustment, or appeal?***

Schools may submit challenges after the release of the draft cohort default rates; schools may submit adjustments and appeals after the release of the official cohort default rates.

The challenges, adjustments, and appeals fall into two main categories:

- *Challenges, adjustments, and appeals that contend that the **LRDR contains inaccurate data** and that as a result, the school’s cohort default rate is inaccurate.*

If a school submits one of these challenges, adjustments, or appeals, and the challenge, adjustment, or appeal is successful, the school’s cohort default rate may be lowered, raised, or not affected. If the school’s cohort default rate is lowered, the school may avoid a sanction or become eligible for a benefit.

- *Challenges and appeals that contend that **the school has exceptional mitigating circumstances**, or a low participation rate index, that should remove the school from being subject to cohort default rate sanction.*

If a school submits one of these challenges or appeals, and the challenge or appeal is successful, the school may avoid sanctions. However, the school’s cohort default rate will not be affected.

The type of challenge, adjustment, or appeal a school should submit depends on the school’s situation. The following chart on Pages 3.1-5 and 3.1-6 details which schools are eligible to submit the different challenges, adjustments, and appeals. See the relevant chapter in Part IV for a list of the materials a school must submit with each challenge, adjustment, or appeal.

A school must submit a challenge, adjustment, or appeal within specified timeframes, as shown in Part IV. If your school is submitting multiple challenges, adjustments, or appeals, you may wish to review these timeframes to determine which one requires the most immediate attention.

***Why should a school that is not subject to loss of eligibility contest inaccurate data on the LRDR?***

There are a number of reasons why a school that is not subject to sanction should contest inaccurate data on the LRDR:

- Contesting inaccurate data helps maintain data integrity and accuracy.
- Contesting inaccurate data may lead to a reduction in the school's cohort default rate that would make the school eligible for the benefits available to schools with low cohort default rates. See Chapter 2.4, "Cohort Default Rate Effects," for information on the benefits available for schools with low cohort default rates.
- Contesting the accuracy of the data may help prevent a school from becoming provisionally certified based solely on the school's official cohort default rate.

***In some cases, a school must request information from a data manager before the school makes a final submission to the Department. When a school receives a data manager's response, the school must decide if it will make a final submission. The final submission must also be made within a prescribed timeframe. Again, see Part IV for specific timeframes.***

***Challenges, adjustments, and appeals based on incorrect data or improper servicing (potentially affecting school's cohort default rate)***

Submission Type	Why Submit	Which Schools can take action?	Effect
<p><b>Incorrect Data Challenge</b> [Draft Rates]</p> <p><i>34 CFR 668.204(b)</i></p>	<p>A school believes that the LRDR for the draft cohort default rates contains incorrect data</p>	<p>Any school that believes there is inaccurate data in the LRDR for its draft cohort default rates. (See Chapter 4.1 for procedures)</p> <p>If a school does not challenge the accuracy of data in an incorrect data challenge, the school cannot contest the accuracy of that data later in an <i>uncorrected data adjustment</i> or an <i>erroneous data appeal</i> based on disputed data.</p>	<p>If successful, NSLDS will be corrected and the corrected data will be used when calculating the school's official cohort default rate.</p>
<p><b>Uncorrected Data Adjustment</b> [Official Rates]</p> <p><i>34 CFR 668.209</i></p>	<p>A school believes that the LRDR for the official cohort default rates contains data that should have been corrected as a result of its incorrect data challenge.</p>	<p>Any school that submitted a successful incorrect data challenge, and if the official cohort default rate data does not reflect the changes agreed to as part of the incorrect data challenge process. (See Chapter 4.3 for procedures)</p>	<p>If successful, NSLDS will be corrected and the Department will recalculate the school's cohort default rate.</p>
<p><b>New Data Adjustment</b> [Official Rates]</p> <p><i>34 CFR 668.210</i></p>	<p>A school believes that the LRDR for the official cohort default rates contains new, incorrect data.</p>	<p>Any school that believes there is new, incorrect data in the LRDR for its official cohort default rates. Note: if the school is subject to sanction, it should submit an <i>erroneous data appeal</i> instead. (See Chapter 4.4 for procedures)</p>	<p>If successful, NSLDS will be corrected and the Department will recalculate the school's cohort default rate.</p>
<p><b>Erroneous Data Appeal</b> [Official Rates]</p> <p><i>34 CFR 668.211</i></p>	<p>A school believes that the LRDR for the official cohort default rates contains new, incorrect data and/or contains disputed data that was included in an incorrect data challenge.</p>	<p>Any school that is subject to loss of eligibility or provisional certification, solely due to CDRs and believes 1) that there is new, incorrect data in the LRDR for its official cohort default rates, or 2) the school still disputes the accuracy of data it challenged in an incorrect data challenge. (See Chapter 4.5 for procedures)</p>	<p>If successful, NSLDS will be corrected and the Department will recalculate the school's cohort default rate. Also, if the recalculated rate falls below the relevant threshold, the school will no longer be subject to loss of eligibility or provisional certification.</p>
<p><b>Loan Servicing Appeal</b> [Official Rates]</p> <p><i>34 CFR 668.212</i></p>	<p>A school believes that the LRDR for the official cohort default rates contains defaulted loans that were improperly serviced for cohort default rate purposes.</p>	<p>All schools that have defaulted loans included in the LRDR for the most recently issued official cohort default rate, or for any cohort default rate upon which a loss of eligibility is based. (See Chapter 4.6 for procedures)</p>	<p>If successful, the Department will recalculate the school's cohort default rate.</p>

## Challenges & appeals based on exceptional mitigating circumstances

Submission Type	Why Submit?	Which Schools Can Take Action?	Effect
<p><b>Participation Rate Index Challenge [Draft Rates]</b></p> <p><b>34 CFR 668.204(c)</b></p>	<p>A school believes that it may be subject to loss of eligibility or potential provisional certification based on its cohort default rates with the release of the official cohort default rates but also believes that it should not be subject to sanction or potential provisional certification because of its low participation rate index.</p>	<p>All schools, but only those that will be subject to loss of eligibility or potential provisional certification based on its cohort default rates when the official cohort default rates are released will benefit. (See Chapter 4.2 for procedures)</p>	<p>If successful, the school will not be subject to the anticipated sanction or potential provisional certification. If the school successfully challenges based on a prior official cohort default rate, that cohort default rate will not be the basis for a future sanction.</p>
<p><b>Economically Disadvantaged Appeal [Official Rate]</b></p> <p><b>34 CFR 668.213</b></p>	<p>A school believes that it should not be subject to loss of eligibility or potential provisional certification based on its cohort default rates because of the number of low-income students attending the school and the school's placement rate (for a non-degree-granting school) or the school's completion rate (for a degree-granting school).</p>	<p>Schools that are subject to loss of eligibility or potential provisional certification based on its cohort default rates. (See Chapter 4.7 for procedures)</p>	<p>If successful, the school will not be subject to sanction for that cohort fiscal year.</p>
<p><b>Participation Rate Index Appeal [Official Rate]</b></p> <p><b>34 CFR 668.214</b></p>	<p>A school believes that it should not be subject to loss of eligibility or potential provisional certification based on its cohort default rates because of its low participation rate index.</p>	<p>Schools that are subject to loss of eligibility or potential provisional certification based on its cohort default rates. (See Chapter 4.8 for procedures)</p>	<p>If successful, the school will not be subject to sanction for that cohort fiscal year. If the school's participation rate index for a cohort fiscal year meets the relevant threshold, the cohort default rate for that cohort fiscal year will not be the basis for a future sanction.</p>
<p><b>Average Rates Appeal [Official Rate]</b></p> <p><b>34 CFR 668.215</b></p>	<p>At least 2 of the 3 cohort default rates were calculated as average rates and would have been less than 30% if they were calculated using only data for those cohort fiscal years alone. Or, a cohort default rate that is greater than 40% and was calculated as an average rate.</p>	<p>Schools that are subject to sanction. (See Chapter 4.9 for procedures)</p>	<p>If successful, the school will not be subject to sanction for that cohort fiscal year.</p>
<p><b>Thirty-or-Fewer Borrowers Appeal [Official Rate]</b></p> <p><b>34 CFR 668.216</b></p>	<p>A total of 30 or fewer borrowers entered repayment in the 3 most recent cohort fiscal years used to calculate its cohort default rate.</p>	<p>Schools that are subject to sanction. (See Chapter 4.10 for procedures)</p>	<p>If successful, the school will not be subject to sanction for that cohort fiscal year.</p>

### ***What types of allegations may a school submit to contest data on the LRDR?***

When submitting an incorrect data challenge, new data adjustment, or erroneous data appeal, a school must submit allegations about the accuracy of the data used to calculate the school's cohort default rate. The allegations usually fall into three main categories:

- ◆ The school alleges that the LRDR incorrectly reports a borrower as included in the numerator, and the default date or status is incorrect and borrower should not be counted in the numerator.
- ◆ The school alleges that the LRDR incorrectly includes a borrower whose repayment date does not fall within the cohort fiscal year and the borrower should be removed from the cohort default rate calculation and removed from both the numerator and denominator (incorrectly included).
- ◆ The school alleges that the LRDR incorrectly excludes a borrower who entered repayment within the cohort fiscal year and the borrower should be added to the cohort default rate calculation (incorrectly excluded).

### ***What supporting documentation does a school need to submit when contesting data on the LRDR?***

A school must submit documentation to support its allegations.

Relevant supporting documentation includes, but is not limited to, the following:

- ◆ a copy of a letter to the relevant data manager that informs the entity of the borrower's last date of attendance or less-than half-time date;
- ◆ a dated copy of an Enrollment Report that confirms the borrower's last date of attendance or less than half time date and proof that the documentation was submitted,
- ◆ a copy of a canceled check, front and back, or other documentation showing that the borrower's loan was fully refunded and canceled within 120 days of disbursement by the lender.
- ◆ an original or certified copy of the borrower's death certificate, or an accurate and complete photocopy of the original or certified copy of the borrower. If the borrower's death certificate is unavailable, see [34 CFR §685.212](#) for information on additional types of death documentation.

A school may contact the data manager for additional information on types of supporting documentation the school should submit to support an allegation.

If the data a school submits was never originally submitted to the relevant data manager or NSLDS, the data manager should respond that the issue in question was determined based on the best information available at the time and that, as a result, no change is warranted for cohort default rate purposes.

### ***Does a school need to submit LRDR pages with its allegations?***

For appeal types not submitted via eCDR Appeals, a school must always submit the appropriate pages of the LRDR to support its allegations. The school should include the LRDR page where the school alleges the borrower data has been incorrectly reported, incorrectly included, or incorrectly excluded.

In certain circumstances, the school must submit multiple LRDR pages from the same cohort fiscal year. If the borrower has multiple loans that appear on more than one page, the school should include each page where the borrower appears. If the borrower is missing from the cohort default rate calculation, and the missing borrower would have appeared at the bottom of one page or the top of the next page, the school should include both pages.

In other circumstances, the school must submit LRDR pages from multiple cohort fiscal years. If the school alleges that a borrower was incorrectly reported in one cohort fiscal year and should have been reported in another cohort fiscal year, the school must include the relevant LRDR pages from both cohort fiscal years.

Finally, in some circumstances the school must submit pages from the LRDR for the draft cohort default rates and the LRDR for the official cohort default rates. If the school is alleging that the LRDR for the official cohort default rates contains new data, the school must show the page(s) from the LRDR for the draft cohort default rates where the borrower initially appeared or should have appeared and the page(s) from the LRDR for the official cohort default rates where the new data appears or should have appeared.

### ***What specific allegations and supporting documentation can a school submit when contesting data on the LRDR?***

The following pages contain five charts that list some of the most common allegations and the documentation a school **must** submit to the data manager or to the Department. These charts represent the following general categories of allegations:

- ◆ Borrower incorrectly included on a LRDR because of an inaccurate DATE ENTERED REPAYMENT
- ◆ Borrower incorrectly reported in default on a LRDR
- ◆ Borrower incorrectly reported on a LRDR because of multiple loans
- ◆ Borrower incorrectly included on a LRDR
- ◆ Borrower incorrectly excluded on a LRDR because of an inaccurate DATE ENTERED REPAYMENT

***Borrower incorrectly included on a LRDR because of an incorrect date entered repayment***

*When the date is corrected, the borrower would move to a different cohort fiscal year. For appeal types not submitted via eCDR Appeals, the school should also provide LRDR pages from the cohort fiscal year where the borrower is included and/or excluded and, if applicable, LRDR pages from the cohort fiscal year where the school believes the borrower should be included.*

<b>Allegation</b>	<b>What does the school allege?</b>	<b>What is the school requesting?</b>	<b>What supporting documentation should the school enclose?</b>
Incorrect last date of attendance or less-than half-time enrollment date	That the correct change in enrollment status was submitted to the data manager or NSLDS	That the date entered repayment be changed	Documentation of the enrollment status change
Unexpired grace period	That the borrower re-enrolled at least half-time at their school or another school before the grace period ended	That the date entered repayment be changed	Documentation of the enrollment status change
Death, disability, bankruptcy, or other type of discharge before expiration of grace period	That the loan was discharged before the borrower entered repayment	That the date entered repayment be changed to the date the loan was discharged	Documentation that the loan was discharged before the scheduled date entered repayment
Loan paid in full prior to expiration of grace period	That the loan was paid in full before the borrower entered repayment	That the date entered repayment be changed to the date the loan was paid in full	Documentation that the loan was paid in full before the scheduled date entered repayment
Repayment began before expiration of grace period	That the borrower began making scheduled loan payments before the expiration of the grace period	That the date entered repayment be changed to the date the borrower started repayment	Documentation showing that the borrower made a full scheduled payment before the scheduled date entered repayment

## ***Borrower incorrectly reported in default on a LRDR***

*When the default is removed, the borrower is removed from the numerator of the cohort default rate calculation and would remain only in the denominator of the cohort default rate calculation. In all of these situations the school must provide proof of proper submission of any required documentation. For appeal types not submitted via eCDR Appeals, the school should also provide LRDR pages from the cohort fiscal year where the borrower is incorrectly reported in default.*

<b>Allegation</b>	<b>What does the school allege?</b>	<b>What supporting documentation should the school enclose?</b>
In-school deferment	That the borrower received an in-school deferment and did not default during the cohort default period	The in-school deferment documentation
Forbearance	That the borrower received a forbearance and did not default during the cohort default period	The forbearance documentation
Death, disability, bankruptcy, or other type of loan discharge before default occurred	That the loan was discharged before the borrower defaulted during the cohort default period	Documentation that the loan was discharged before the default
Loan was repurchased and no subsequent claim paid	That the lender repurchased the loan due to incorrect claim submission and no subsequent default claim was paid on the loan during the cohort default period (Note: Repurchases due to courtesy or a new repayment plan will not remove the loan from default in the cohort default rate calculation)	NSLDS Screen Print showing loan repurchase date
Rehabilitation achieved	That the borrower successfully rehabilitated the loan for cohort default rate purposes. Rehabilitation is the process by which a borrower may bring a loan out of default by adhering to specified repayment requirements	The borrower's repayment record from Debt Management and Collections System
Loan did not default for cohort default rate purposes	Loan did not default or loan did not default during the cohort default period	The borrower's repayment record from the servicer or the delinquency report from the data manager demonstrating the actual delinquency period

***Borrower incorrectly reported on a LRDR because of multiple loans***

*In all of these situations, the school must provide proof of submission of any required documentation.*

<b>Allegation</b>	<b>What does the school allege?</b>	<b>What is the school requesting?</b>	<b>What supporting documentation should the school enclose?</b>
Wrong social security number – borrower is counted more than once in a cohort default rate calculation	That the borrower has been included more than once in the cohort default rate calculation because of two different social security numbers	The removal of the incorrect social security number and removal of the data if the loan is duplicated or the addition of the data under the correct social security number if the loan is not a duplicated loan	Documentation of the correct social security number
Borrower has multiple loans in one cohort default rate calculation that belong in several cohort default rate calculations	That the borrower had one or more breaks in enrollment and used the entire grace period before obtaining more loans	A change to the date entered repayment and the removal of one or more loans from the same cohort fiscal year and the addition of those loans to the correct cohort fiscal year	Documentation of the enrollment status change
Borrower has multiple loans that should be included in only one cohort default rate calculation	That the borrower was continuously enrolled at least half-time and did not use the entire grace period	A change to the date entered repayment and that all loans be moved to the correct cohort fiscal year	Documentation of the enrollment status history

### ***Borrower incorrectly included on a LRDR***

*If the allegation were upheld, the borrower would be removed from the numerator and denominator of the cohort default rate calculation. In both of these situations the school must provide proof of submission of any required documentation. For Appeal types not submitted via eCDR Appeals, the school should also provide LRDR pages from the cohort fiscal year where the borrower is incorrectly included.*

<b>Allegation</b>	<b>What does the school allege?</b>	<b>What supporting documentation should the school enclose?</b>
Loan fully cancelled	That the loan was fully cancelled within 120 days of disbursement (partially cancelled loans are included in the cohort default rate calculation)	Copies of the front and back of the cancelled check or documentation of an electronic funds transfer
Loan does not meet insurance requirements	That the lender did not meet the insurance requirements and the loan became an uninsured loan	Information from the data manager that the loan was repurchased by the lender

### ***Borrower incorrectly excluded on a LRDR because of an incorrect date entered repayment (DER)***

*When the date is corrected, the borrower would be included in the cohort default rate calculation. The school must provide proof of submission of any required documentation. For Appeal types not submitted via eCDR Appeals, the school should also provide LRDR pages from the cohort fiscal year where the borrower is incorrectly excluded.*

<b>Allegation</b>	<b>What does the school allege?</b>	<b>What supporting documentation should the school enclose?</b>
Incorrect last date of attendance or less-than-half-time enrollment date	That the correct enrollment status information was submitted to the data manager or NSLDS	Documentation of the enrollment status change