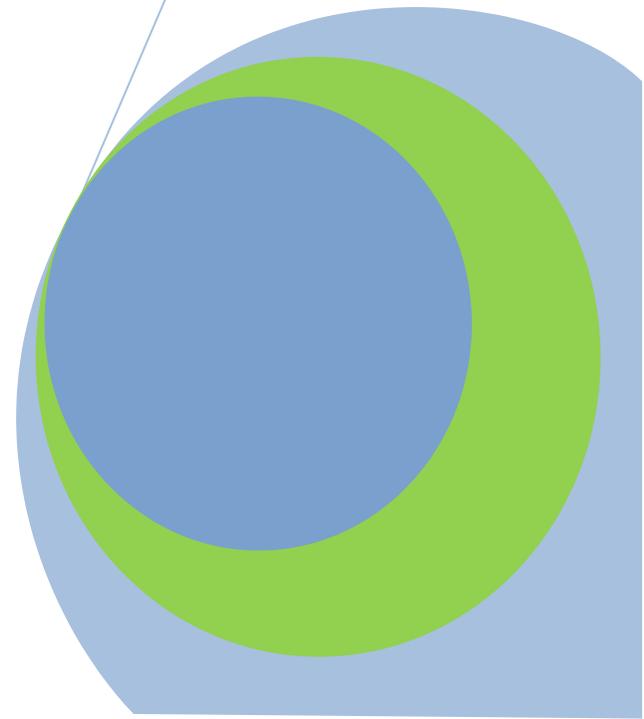


# 4.8 Participation Rate Index Appeal

Low Program Participation



### **What is a participation rate index appeal?**

A participation rate index appeal alleges that a school should not be subject to loss of loan eligibility (or potential placement on provisional certification based solely on cohort default rates) because the school has a participation rate index that meets one of the following thresholds:

- Subject to sanction based on three consecutive cohort default rates of 30.0 percent or greater— participation rate index of 0.0625 or less
- Subject to sanction based on most recent cohort default rate over 40.0 percent or greater— participation rate index of 0.0832 or less
- Subject to potential provisional certification based on two out of three most recent cohort default rates of 30.0 percent or greater— participation rate index of 0.0625 or less

<b>Participation Rate Appeal Timeframe</b>		
Draft Cycle	Not applicable	
Official Cycle	School receives notice of loss of eligibility (or of a second three-year cohort default rate that, in combination with an earlier three-year rate, potentially subjects the school to provisional certification) as part of the official cohort default rate notification package	<i>September</i>
	School sends completed Participation Rate Index Appeal to the U.S. Department of Education (the Department)	<i>Within 30 days of timeframe begin date</i>

Regulatory citations:  
34 CFR 668.214

The timeframe begins on the sixth business day following the transmission date for eCDR notification packages that is posted on the Department's website.

### **Which cohort default rate can be used to determine a participation rate index appeal?**

A school can submit a participation rate index appeal for any cohort default rate upon which a loss of eligibility (or, after 2014, potential provisional certification resulting from rates) is based. For example, take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

If a school is subject to loss of eligibility due to three consecutive years of an official cohort default rate that is 30.0 percent or greater, the school can submit a participation rate index appeal based on the official cohort default rate for This Year, the official cohort default rate for Last Year, and/or the official cohort default rate for Two Years Ago. If the sanction is due to an official cohort default rate for This Year that is greater than 40.0 percent, the school can submit a participation rate index appeal based on the official cohort default rate for This Year. If the school is subject to potential provisional certification due to two out of three of its most recent official cohort default rates being 30.0 percent or greater, the school can submit a participation rate index appeal based on the official cohort default rate for This Year if it is 30.0 percent or greater, the official cohort default rate for Last Year if it is 30.0 percent or greater, and/or the official cohort default rate for Two Years Ago if it is 30.0 percent or greater (see following chart).

<b>Years Used for Participation Rate Index Appeals</b>			
<b>Nature of Sanction</b>	<b>This Year</b>	<b>Last Year</b>	<b>Two Years Ago</b>
Three consecutive years of cohort default rates that are 30.0 percent or greater	Yes – Official Cohort Default Rate if equal to or greater than 30.0 percent (a timely PRI Challenge can be taken from the Draft Cohort Default Rate)	Yes – Official Cohort Default Rate if equal to or greater than 30.0 percent	Yes – Official Cohort Default Rate if equal to or greater than 30.0 percent
Current cohort default rate that is greater than 40.0 percent.	Yes – Official Cohort Default Rate (a timely PRI Challenge can be taken from the Draft Rate).	NO	NO
Potential provisional certification due to two of last three years of cohort default rates 30.0 percent or greater.	Yes – Official Cohort Default Rate if 30.0 percent or greater (a timely PRI Challenge can be taken from the Draft Rate).	Yes – Official Cohort Default Rate if 30.0 percent or greater (a timely PRI Challenge can be taken from the Draft Rate).	Yes – Official Cohort Default Rate if 30.0 percent or greater (a timely PRI Challenge can be taken from the Draft Rate).

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

Only a school that is subject to loss of eligibility (or, after September 2014, potential provisional certification based on rates) because of its official cohort default rates may submit a participation rate index appeal.

***What benefit will a school gain from submitting a participation rate index appeal?***

The Department will withdraw a notice of loss of eligibility for a school that submits a successful participation rate index appeal. Additionally, a school subject to potential provisional certification based on rates will not be provisionally certified based solely on its cohort default rates. The school will not be subject to a subsequent loss of eligibility based on that official cohort default rate, or provisional certification based on that official cohort default rate, due to the successful participation rate index appeal.

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

The school may base the participation rate index appeal on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the participation rate index appeal. Because a school can submit a participation rate index appeal for any cohort default rate upon which a loss of eligibility or potential provisional certification is based, the time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1<sup>st</sup>. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1<sup>st</sup> and always end on September 30<sup>th</sup>. Therefore, the 12-month period the school uses must end no earlier than April 1<sup>st</sup> and no later than September 30<sup>th</sup>. In order for a 12-month period to end between April 1<sup>st</sup> and September 30<sup>th</sup>, it must begin no earlier than April 2<sup>nd</sup> and no later than October 1<sup>st</sup> of the preceding year.

#### ***Date Ranges for Acceptable 12-Month Periods***

<b>Cohort Fiscal Year</b>	<b>Cohort FY Start Date</b>	<b>Acceptable 12-Month Period Begins Between</b>	<b>Acceptable 12-Month Period Ends Between</b>
2016	10/01/2015	04/02/2014-10/01/2014	04/01/2015-09/30/2015
2017	10/01/2016	04/02/2015-10/01/2015	04/01/2016-09/30/2016
2018	10/01/2017	04/02/2016-10/01/2016	04/01/2017-09/30/2017
2019	10/01/2018	04/02/2017-10/01/2017	04/01/2018-09/30/2018
2020	10/01/2019	04/02/2018-10/01/2018	04/01/2019-09/30/2019
2021	10/01/2020	04/02/2020-10/01/2020	04/01/2020-09/30/2020
2022	10/01/2021	04/02/2021-10/01/2021	04/01/2021-09/30/2021

To choose an acceptable 12-month period, a school should first determine which cohort fiscal year the school will use. The school then picks a start date from the range listed in the “Acceptable 12-Month Period Begins Between” column. The end date will be 12 months after the start date, which will fall in the range listed in the “Acceptable 12-Month Period Ends Between” column.

#### ***Acceptable & Unacceptable 12-Month Periods for Cohort FY 2018***

<b>12-Month Period</b>	<b>Status</b>	<b>Reason</b>
04/02/2018-04/01/2019	Acceptable	Starts within acceptable range; 12 months later within acceptable range
04/02/2018-04/02/2019	Unacceptable	Starts within acceptable range; more than 12 months later
04/01/2018-03/31/2019	Unacceptable	Starts and ends outside acceptable range

A school can select the most beneficial 12-month period available. In other words, a school can identify the acceptable 12-month period during which it had the lowest percentage of borrowers and use that period when calculating its participation rate index.

If a school selects an unacceptable 12-month period, the Department will not review any portion of the school’s participation rate index appeal and the participation rate index appeal will be denied. A school may contact the Department at 202-377-4259 to discuss whether the school has selected an acceptable 12-month period.

See Chapter 2.1 “How the Rates are Calculated” for information on the formulas used to calculate cohort default rates.

### ***How does a school calculate its participation rate index?***

After selecting the 12-month period, the school determines the total number of regular students enrolled at least halftime and for at least one day during any part of the 12-month period. It is not necessary for the student's entire enrollment period to fall within the 12-month period. The total number of regular students is the denominator. The school then determines the total number of those students who borrowed an FFEL or Direct Loan for a loan period that overlaps any part of the 12-month period. The total number of borrowers is the numerator.

$$\frac{\text{Total borrowers in 12-month period}}{\text{Total regular students in 12-month period}}$$

A regular student is a student who 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. To be included in the participation rate index calculation, the borrower must be a student who was enrolled at least half-time and enrolled at least one day during the selected 12-month period.

Once the school has divided the total number of FFEL and Direct Loan borrowers by the total number of regular students, the school multiplies the result by the cohort default rate upon which the school is basing the participation rate index appeal. The result is the participation rate index. A participation rate index is calculated as follows:

$$\frac{\text{Total borrowers in 12-month period}}{\text{Total regular students in 12-month period}} \times \text{School's cohort default rate} = \text{Participation Rate Index}$$

If a school has fewer than 30 borrowers who entered repayment in the cohort fiscal year for which the participation rate index is calculated, the participation rate index for that cohort fiscal year may be calculated using either:

- ◆ The cohort default rate that would result from applying the non-average rate formula or
- ◆ The cohort default rate that would result from applying the average rate formula.

To avoid loss of eligibility or potential placement on provisional certification, the school's participation rate index must meet the relevant threshold as indicated on page 4.8-1.

For example, School A’s official cohort default rate for the current cohort fiscal year is 30.0 percent. School A’s two most recent official cohort default rates were 31.0 percent and 33.0 percent. As a result, School A is subject to loss of eligibility because it has three consecutive years of official cohort default rates that are 30.0 percent or greater.

School A decides to base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School A had a total of 200 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of those 200 students, 31 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School A’s participation rate index is 0.0465.

$$\frac{31 \text{ borrowers}}{200 \text{ regular students}} \times 30.0 \text{ cohort default rate} = 0.0465$$

Because the participation rate index is less than 0.0625, School A’s participation rate index appeal would be successful.

As another example, School B’s official cohort default rate is 50.0 percent. School B’s two most recent official cohort default rates were 20.0 percent and 31.0 percent. As a result, School B is subject to sanction because it has an official cohort default rate that is greater than 40.0 percent.

School B should base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School B had a total of 100 regular students enrolled on at least a half-time basis during any part of the 12-month period relating to the current cohort fiscal year. Of these 100 students, 10 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School B’s participation rate index is 0.05.

$$\frac{10 \text{ borrowers}}{100 \text{ regular students}} \times 50.0 \text{ cohort default rate} = 0.05$$

Because the participation rate index is less than 0.0832, School B’s participation rate index appeal is successful. However, had School B’s two most recent two-year official cohort default rates been 30.0 percent and 31.0 percent, School B would also be subject to sanction because it had three consecutive official cohort default rates that are 30.0 percent or greater. In that event, the participation rate index would have to be 0.0625 or less for the participation rate index appeal to be successful.

***Does a school need to wait until the official cohort default rate is released to prepare its participation rate index appeal?***

If a school is submitting a participation rate index appeal using a previous cohort fiscal year’s official cohort default rate, it can prepare a complete participation rate index appeal before it receives its current year official cohort default rate.

If a school is submitting a participation rate index appeal using the current cohort fiscal year, it cannot perform the final step in the process (multiplying the participation ratio by the official cohort default rate) until the school receives its official cohort default rate. However, a school can perform the initial steps to identify the data to include in the calculation before it receives its official cohort default rate if it believes its current cohort fiscal year official cohort default rate will incur sanctions. In that way, a school can save time when it receives its official cohort default rate.

### ***What roles do the Department and data managers have in a school's participation rate index appeal?***

Schools submit participation rate index appeals directly to the Department for review and consideration. The Department is responsible for determining whether schools meet the established participation rate index criteria. Therefore, there is no role for data managers.

If a school submits a participation rate index appeal to the wrong entity or address, the participation rate index appeal might not be reviewed and the school could miss the deadline for submitting the participation rate index appeal to the Department.

If a data manager receives a participation rate index appeal from a school, it should immediately contact the school to inform it that the participation rate index appeal must be sent to the Department. The data manager should also indicate that the participation rate index appeal must be sent to the Department within the initial 30-calendar-day timeframe. The data manager should then notify the Department that the data manager has contacted the school.

### ***What materials must a school submit as part of a participation rate index appeal?***

The participation rate index appeal must include a letter on the school's letterhead (see sample letter at the end of this chapter).

If a school does not have any students who received FFELs or Direct Loans with loan periods that overlapped any part of the selected 12-month period, the school does not have to submit a spreadsheet to the Department. However, to avoid sanctions, the school's letter to the Department must identify the 12-month period and indicate that the school did not have any students who received loans with loan periods that overlapped the 12-month period.

If the school is required to submit a participation rate index appeal spreadsheet, it should use the format shown in the sample spreadsheet below. Using the information on the spreadsheet and the participation rate index formula, a school must calculate its participation rate index. To avoid loss of eligibility, or potential placement on provisional certification, the school's participation rate index must meet the relevant threshold as indicated on page 4.8-1.

## Sample Participation Rate Index Appeal Spreadsheet

Type: Participation Rate Index Appeal  
 Cohort FY: 2011  
 From: Graphic Tech  
 Code: 099999  
 To: Default Management  
 Code: NA

Cohort Default Rate: 50.0%  
 12-Month Period: 9/01/2009 – 08/31/2010  
 Total Borrowers: 2  
 Total Regular Students: 50  
 PRI: 0.02

	A	B	C	D	E
1	Student's SSN	Student's Name	Student's Enrollment Dates	Loan Type (if any)	Loan Period
2	111-11-1111	Ross, Betsy	08/15/2009 - 05/25/2010	FFEL	08/15/2009 - 05/26/2010
3	222-22-2222	Adams, John	05/15/2009 - 05/26/2010	DL	08/15/2009 - 12/30/2010
4	333-333-3333	Washington, Martha	08/15/2009- 12/30/2009	No	N/A

Date 02/14/2014

Page 1 of 1

A blank version of this spreadsheet is posted on the [Default Management website](#).

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

If a school is submitting a participation rate index appeal for multiple cohort default rates, it should submit all the participation rate index appeals in the same mailing to the Department. However, the school still needs to submit separate documentation for each participation rate index appeal.

### ***How does a school submit a participation rate index appeal?***

Timing is critical when submitting a participation rate index appeal. A school must send its participation rate index appeal to the Department within 30 calendar days of the timeframe begin date. If a school does not meet the 30-calendar-day timeframe for submitting a participation rate index appeal, the participation rate index appeal will not be reviewed

### **How a school submits a Participation Rate Index appeal to the Department**

*The Department recommends that a school send all participation rate index 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 submission. A school should maintain the documentation that verifies the receipt of the participation rate index appeal as well as all electronic and hardcopy documentation submitted as a part of the participation rate index appeal process.*

*If sending by courier:*

U.S. Department of Education  
 Partner Eligibility and Oversight Services  
 Union Center Plaza, 6<sup>th</sup> Floor (61G3)  
 830 First Street, NE  
 Washington, DC 20202  
 ATTN: Cohort Default Rates Group

*If sending by U.S. Postal Service:*

U.S. Department of Education  
 Partner Eligibility and Oversight Services  
 Union Center Plaza, 6<sup>th</sup> Floor (61G3)  
 400 Maryland Avenue, SW  
 Washington, DC 20202-5353  
 Attn: Cohort Default Rates Group

*Do not send materials to any other address at the Department.*

### ***What happens after the school submits the participation rate index appeal?***

The Department will review, using the standard of review described in 34 CFR 668.208(f), only the information submitted with the participation rate index appeal and will not review information submitted after the 30 calendar-day deadline. The Department will send the school written notification of the Department's decision. The Department's decision is final and no further administrative review is provided.

The Department will withdraw the notice of loss of eligibility for a school that submits a successful participation rate index appeal. Additionally, a school subject to potential provisional certification as a result of cohort default rates will not be provisionally certified based solely on its cohort default rates. The school will not be subject to a subsequent loss of eligibility or provisional certification based on that official cohort default rate due to the successful participation rate index appeal. However, if the school's participation rate index appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, the Department will notify the school of the effective date of the sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to originate loans during the adjustment and appeal process.

## Sample Participation Rate Index Appeal Letter



**Graphic Tech**

2341 Toulouse Street  
Cape Canaveral, FL 54321-2341

February 14, 2018

U.S. Department of Education  
Operations Performance Division  
Union Center Plaza 61G3  
400 Maryland Avenue, SW  
Washington, DC 20202-5353

OPEID 099999

Subject: Cohort FY 2015 Participation Rate Index Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a participation rate index appeal based on our FY 2015 official cohort default rate. According to our calculations, our participation rate index is 0.02. This index is calculated using a 12-month period that began on September 1, 2009 and ended on August 31, 2010. Please see the enclosed spreadsheet.

I, the undersigned, certify under penalty of perjury, that all information submitted in support of this participation rate index challenge is true and correct.

Thank you for your consideration.

Sincerely

Alexander Peachum  
President, Graphic Tech

Enclosures

*The letter must include 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, and a certification that the information provided is true and correct under penalty of perjury. The school must also note its participation rate index and the 12-month period the school selected. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the challenge] Participation Rate Index Appeal." The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.*

**Participation Rate Index Appeal  
Checklist**

**School to the Department**

**Determine**

- Is the school subject to sanction?
- What is the school's participation rate index?

**Submit to the Department**

- Spreadsheet (Please remember to number your borrowers)
- Letter