



Your Cohort Default Rate: What Does It Mean?

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2017 SASFAA Annual Conference

Your Cohort Default Rate: What Does It Mean?

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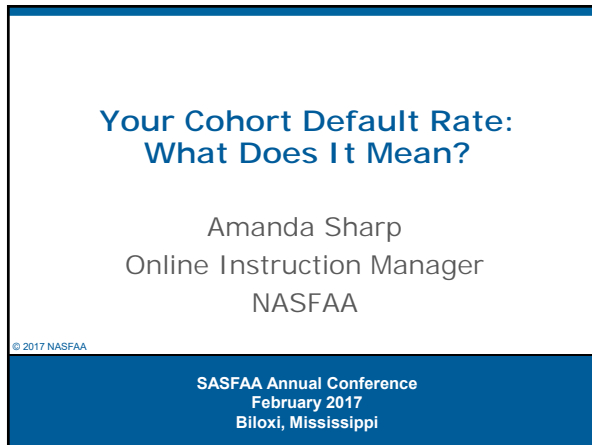
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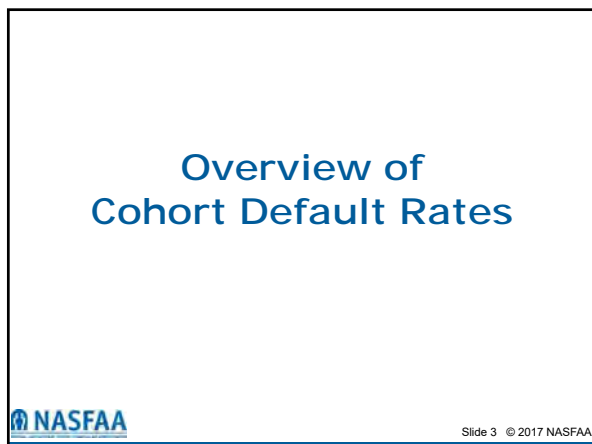
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Your Cohort Default Rate: What Does It Mean?









Your Cohort Default Rate: What Does It Mean?

Goals

- Overview of cohort default rates
- Impact on institutions
- What do do next



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What is a Cohort Default Rate (CDR)?

- The CDR is a percentage that represents:
 - Cohort of borrowers who enter repayment
 - Members of that cohort who defaulted



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What is a Cohort Default Rate (CDR)?

- The CDR is a percentage that represents:
 - Cohort of borrowers who enter repayment
 - Members of that cohort who defaulted
- Calculation performed each federal fiscal year



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Your Cohort Default Rate: What Does It Mean?

Cohort Default Rate Calculations

Non-Average Rate

Numerator

Borrowers included in the denominator who have defaulted during cohort period

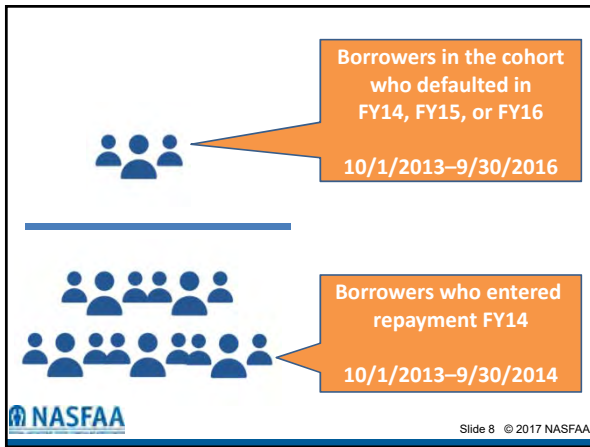
Denominator

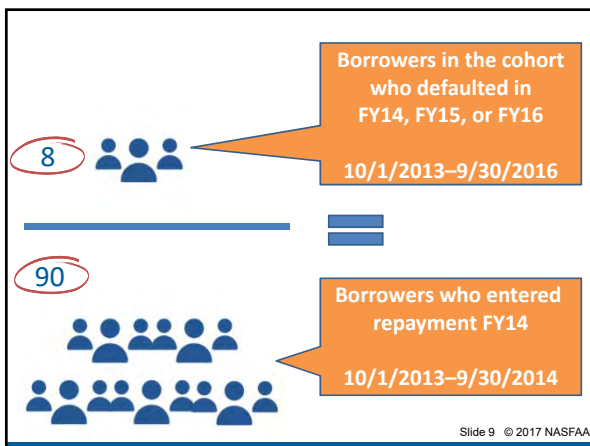
Borrowers who entered repayment in cohort fiscal year

$$\frac{\text{Numerator}}{\text{Denominator}} = \text{Cohort Default Rate} \%$$



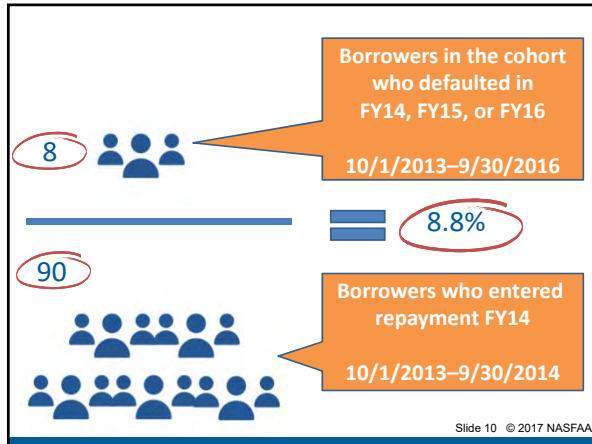
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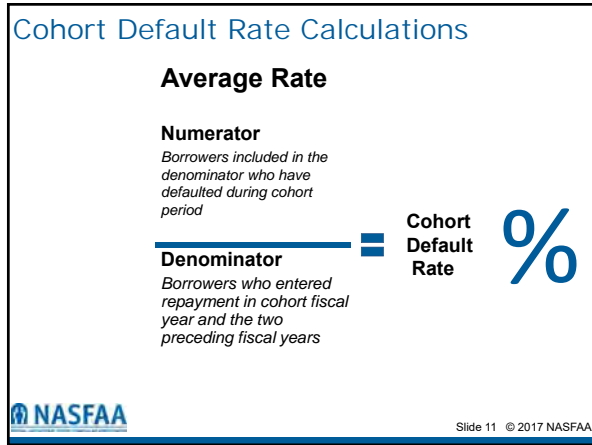


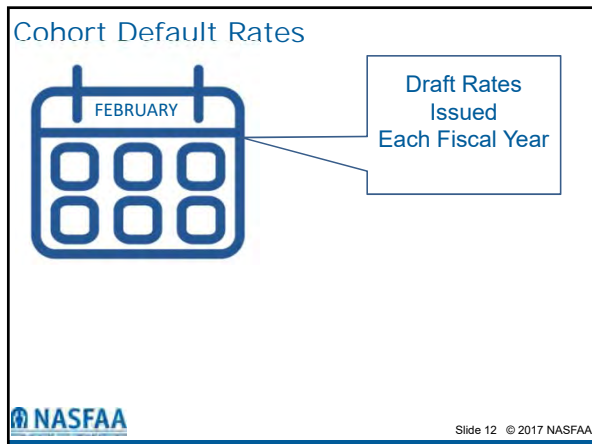




Your Cohort Default Rate: What Does It Mean?









Your Cohort Default Rate: What Does It Mean?

Cohort Default Rates

Draft Rates Issued February Each Fiscal Year

Official Rates Issued by September 30 Each Fiscal Year

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Importance of Cohort Default Rates

- Defaulted loans are costly
- Impact of defaults on the borrower
- Impact of defaults on the school

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Importance of Cohort Default Rates

- Defaulted loans are costly
- Impact of defaults on the borrower
- **Impact of defaults on the school**

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Your Cohort Default Rate: What Does It Mean?

Benefits of a Low Cohort Default Rate



<15% each of three most recent fiscal years



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Benefits of a Low Cohort Default Rate



<15% each of three most recent fiscal years

- Single-term loans may be disbursed in one disbursement
- Exempt from 30-day delay for first-time, first-year undergraduate borrowers



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Benefits of a Low Cohort Default Rate



<5% single most recent fiscal year



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Your Cohort Default Rate: What Does It Mean?

Benefits of a Low Cohort Default Rate



<5% single most recent fiscal year

- Single disbursement for study abroad students
- Exempt from 30-day delay for first-time, first-year undergraduate borrowers enrolled in study abroad programs



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Sanctions for a High Cohort Default Rate



- CDR \geq 30% can include:
 - Institutional default prevention requirements
 - Change in school certification
 - Restriction or loss in Title IV participation



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Sanctions for a High Cohort Default Rate



- CDR \geq 30% can include:
 - Institutional default prevention requirements
 - Change in school certification
 - Restriction or loss in Title IV participation
- CDR \geq 40%
 - Loss of eligibility to participate in the Federal Direct Student Loan (Direct Loan) Program



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Your Cohort Default Rate: What Does It Mean?

What Can You Do?



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Loan Record Detail Report (LRDR)

BODY SECTION – LINE 1 BORROWER

Borrower's Social Security Number		Last Name		First Name Middle Initial		Date of Birth		QPED of the school that certified/originated the loan		Borrower's Academic Level When Loan Was Originated (see code list)	
SSN	SSN	LN	LN	FI	MI	DOB	DOB	QPED	QPED	AL	AL
123456789012345	123456789012345	SMITH	JANE	JOHN	M	01/15/1985	01/15/1985	00000000000000000000	00000000000000000000	00	00
123456789012345	123456789012345	SMITH	JANE	JOHN	M	01/15/1985	01/15/1985	00000000000000000000	00000000000000000000	00	00
123456789012345	123456789012345	SMITH	JANE	JOHN	M	01/15/1985	01/15/1985	00000000000000000000	00000000000000000000	00	00



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Q&A

- School had a student borrower who died.
- Was in repayment at the time of his death
- Not in default at the time of his death
- Student is included in the institution's CDR
- Based on information in NSLDS, student died 11 months before loan defaulted
- Should he be included in the institution's CDR?



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Your Cohort Default Rate: What Does It Mean?

Answer

- Student should *not* be included as a default in the cohort default rate (CDR) for that year.
- If the borrower entered repayment prior to his death
 - loan would be included in the number of students who entered repayment
 - would not be included as a borrower who defaulted
- The borrower is not included in the CDR as a defaulted borrower if the borrower dies after entering repayment but prior to entering default.
- This would be a valid reason to challenge the CDR data.



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Q&A

- Can a school repay a loan in order to avoid default during a cohort default period?



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Answer

- Yes, but that does not exclude the loan from the school's cohort default rate (CDR) calculation.
- Refer to Chapter 2.1 of the *Cohort Default Rate Guide*, September 2016
 - if a "school, its owner, its agent, contractor, employee, or another entity or individual associated with the school makes a payment on the borrower's loan in order to avoid default during the cohort default period", the "borrower is included in the cohort fiscal year (denominator) when the borrower entered repayment," and the borrower is included (in the numerator) because the loan meets the other specified condition during the cohort default period."
- See chart of special circumstances included in handout



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Your Cohort Default Rate: What Does It Mean?

What Can You Do?

Challenge

- Incorrect Data Challenge (IDC)
- Participation Rate Index Challenge (PRI)

Adjustment

- Uncorrected Data Adjustment (UDA)
- New Data Adjustment (NDA)

Appeal

- Erroneous Data Appeal (ER)
- Loan Servicing Appeal (LSA)
- Economically Disadvantaged Appeal (EDA)
- Participation Rate Index Appeal (PRI)

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What Can You Do?

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What Can You Do?

Challenge

- Incorrect Data Challenge (IDC)
- Participation Rate Index Challenge (PRI)
- **After release of draft CDR**

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- Uncorrected Data Adjustment (UDA)
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Your Cohort Default Rate: What Does It Mean?

Incorrect Data Challenge



Data incorrectly reported in draft CDR



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Incorrect Data Challenge



Data incorrectly reported in draft CDR



Borrower included but should have been excluded

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Incorrect Data Challenge



Data incorrectly reported in draft CDR

Borrower excluded but should have been included



Borrower included but should have been excluded



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Your Cohort Default Rate: What Does It Mean?

What to Look For On the LRDR

Some of the suggestions schools have shared with NASFAA:

- Ensure your enrollment reporting is accurate so borrowers aren't entering payment prematurely.
- Make sure loans didn't enter repayment before the end of 6-month grace period
- Look for multiple loans for same borrower when some are in default and others are not— indication of possible error
- Look for inconsistencies on the report itself
 - Example: loan showing as not in default yet being included in the numerator.



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Incorrect Data Challenge

- *Cohort Default Rate Guide, Chapter 4.1*



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Participation Rate Index Challenge

- Number of students who obtained loans to attend the school is very low in relation to the number of regular students at the school.
- Alleges school should not be subject to a potential loss of loan eligibility or potential placement on provisional certification based solely on its CDR because the school's PRI meets one of the following thresholds:
 - Loss of eligibility
 - > 3 consecutive CDRs of 30%, PRI for 1 year .0625 or less
 - > Most recent CDR >40%, PRI .0832 or less; or
 - Possible provisional certification
 - > 2 out of 3 CDRS – 30% and PRI .0625 or less



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Your Cohort Default Rate: What Does It Mean?

Participation Rate Index Challenge



Percentage of students who borrowed under during a specified 12-month period



School's CDR

Participation Rate Index



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Participation Rate Index Challenge

- *Cohort Default Rate Guide, Chapter 4.2*



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What Can You Do?

Challenge

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Your Cohort Default Rate: What Does It Mean?

What Can You Do?

Challenge

- Incorrect Data Challenge (IDC)
- Participation Rate Index Challenge (PRI)

Adjustment

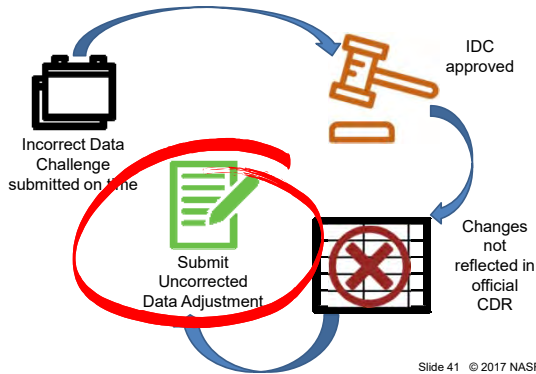
- Uncorrected Data Adjustment (UDA)
- New Data Adjustment (NDA)
- **After release of official CDR**

Appeal

- Erroneous Data Appeal (ER)
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- Participation Rate Index Appeal (PRI)

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Uncorrected Data Adjustment



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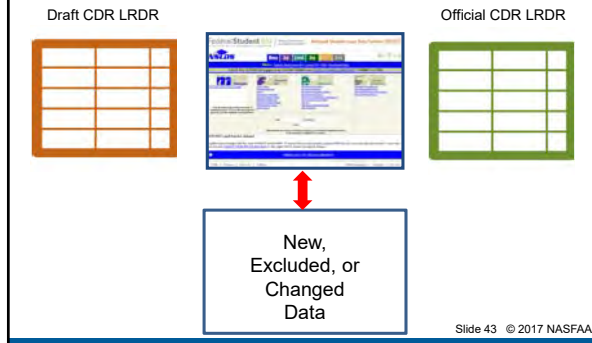
Uncorrected Data Adjustment

- *Cohort Default Rate Guide*, Chapter 4.3



Your Cohort Default Rate: What Does It Mean?

New Data Adjustment



New Data Adjustment

- *Cohort Default Rate Guide*, Chapter 4.4



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What Can You Do?

Challenge

- Incorrect Data Challenge (IDC)
- Participation Rate Index Challenge (PRI)

Adjustment

- Uncorrected Data Adjustment (UDA)
- New Data Adjustment (NDA)

Appeal

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Your Cohort Default Rate: What Does It Mean?

What Can You Do?

Challenge

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Adjustment

- Uncorrected Data Adjustment (UDA)
- New Data Adjustment (NDA)

Appeal

- Erroneous Data Appeal (ER)
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- Participation Rate Index Appeal (PRI)
- **After release of official CDR**

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Erroneous Data Appeal

LRDR contains

- New incorrect data
- Disputed data

Successful Appeal

- NSLDS corrected
- ED recalculates CDR



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Erroneous Data Appeal

- LRDR contains one or both:
 - New, incorrect data
 - Newly included, excluded, or changed
 - Disputed data
 - Included in an Incorrect Data Challenge
 - Same error still included in official CDR data



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Your Cohort Default Rate: What Does It Mean?

Erroneous Data Appeal

- *Cohort Default Rate Guide*, Chapter 4.5



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Loan Servicing Appeal

LRDR contains

- Improperly serviced loans
- Disputed data

Successful Appeal

- Improperly serviced loans removed from CDR
- ED recalculates CDR



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Loan Servicing Appeal

- A defaulted Direct Loan is improperly serviced if one or more of the following occurs:
 - Borrower *never* made a loan payment and school can document servicer/lender was required but failed to
 - Send at least one letter (other than final demand letter) prompting borrower to make payments
 - Send a final demand letter to the borrower
 - Attempt at least one telephone call to the borrower
 - Document skip tracing was performed if servicer did not have borrower's current address
 - Submit a request for pre-claims assistance or default aversion assistance to the guaranty agency (for FFEL)



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Your Cohort Default Rate: What Does It Mean?

Loan Servicing Appeal

- If a borrower makes at least one payment or if the servicer performs all of the above on a timely basis, the loan is properly serviced for CDR purposes.



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Loan Servicing—Tips from Schools

- Ask for information from all servicers. When in eCDR check all the servicers
- Each servicer provides information in a different format
 - Some reports aren't complete and sometimes have to go through some back/forth with servicer
 - One example, servicer had 31 records missing
- Sample size may vary
- Servicer provides a representative sample
 - Can work in your favor.
 - Example: You identify 3 improperly serviced loans
 - ED applies a formula to come up with a valid statistical prediction and that multiplier may result in a larger number of improperly serviced loans being removed from CDR.



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Loan Servicing Appeal

- *Cohort Default Rate Guide*, Chapter 4.6

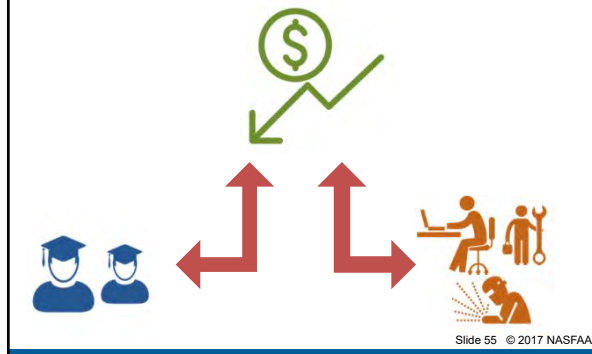


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Economically Disadvantaged Appeal



Economically Disadvantaged Appeal

- Successful appeal:
 - School not subject to sanction for that CDR fiscal year
 - Does NOT change the school's official CDR



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Economically Disadvantaged Appeal

- *Cohort Default Rate Guide*, Chapter 4.7



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Your Cohort Default Rate: What Does It Mean?

Participation Rate Index Appeal

- School believes it should not be subject to sanction based on low participation rate
- Only allowed when school subject to loss of eligibility or potential provisional certification
- School sends completed appeal to ED
- Successful appeal
 - Will not be subject to sanction for that CDR fiscal year



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Participation Rate Index Appeal

- *Cohort Default Rate Guide*, Chapter 4.8



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<https://ecdrappeals.ed.gov/ecdra/index.html>

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**ED-Initiated
Appeals**

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ED-Initiated Appeals

- Average Rate Appeal
- Thirty-or Fewer Borrower Appeal
- ED automatically determines if schools meet criteria prior to release of official CDR
- *Cohort Default Rate Guide*, Chapters 4.9 and 4.10

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Resources

- NASFAA AskRegs Knowledgebase
<https://www.nasfaa.org/askregs>
- NASFAA Student Aid Index
<https://www.nasfaa.org/StudentAidIndex>
- *Cohort Default Rate Guide*
<https://ifap.ed.gov/DefaultManagement/finalcdrg.html>

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