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ABSTRACT

This guide provides information to help postsecondary schools and guaranty agencies (GAs) understand how a cohort default rate is calculated, review backup data, submit challenges to GAs and/or Direct Loan Servicing Centers (DLSC), and understand the response from the GA and/or DLSC. A cohort default rate includes Federal Family Education Loan (FFEL) Program loans and/or William D. Ford Federal Direct Loan Program loans made to student borrowers. The cohort default rate is based on those borrowers who entered repayment and defaulted on their loans during a statutorily mandated time period. Information is included on how a school's cohort default rate is calculated; the situation of a borrower who has more than one loan entering repayment during the fiscal year; and how student loan consolidation affects a school's cohort default rate. The section on backup data discusses which schools receive draft backup data, how backup data is produced, whether a school's draft data and official data will be the same, whether backup data is subject to the Privacy Act, and how to read a report on draft backup data. The guide includes a sample backup data report, an example of a challenge to the GA or DLSC, and contact lists for GAs, the DLSC, and The Department of Education. (SW)

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Draft

Cohort Default Rate

Review Guide



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Introduction

What is this Guide?

The *FY 1996 Draft Cohort Default Rate Review Guide* is a publication that the U.S. Department of Education (Department) sends to postsecondary schools along with their draft cohort default rate notification letters. Under Section 435(m)(1)(A) of the Higher Education Act of 1965, as amended (HEA), the Department gives schools the opportunity to review and correct cohort default rate information before official cohort default rates are calculated. The opportunity to review and correct cohort default rate errors is called the draft data review process and the *FY 1996 Draft Cohort Default Rate Review Guide* provides instruction and guidance to institutions and Guaranty Agencies (GAs) on this process.

The purpose of this guide is to assist your school in:

- Understanding how a cohort default rate is calculated,
- Reviewing backup data (BUD),
- Submitting challenges to GAs and/or to the Direct Loan Servicing Center (DLSC), and
- Understanding the response from the GA and/or DLSC.

Which student loans are included in the cohort default rate?

A cohort default rate includes Federal Family Education Loan (FFEL) Program loans and/or William D. Ford Federal Direct Loan Program loans made to student borrowers. The cohort default rate is based on those borrowers who entered repayment and defaulted on their loans during a statutorily-mandated time period. Other Federal student loans and non-Federal loans are not included in the cohort default rate calculation.

If an institution has students or former students who enter repayment on loans from only one of these programs in a given fiscal year, it receives a cohort default rate based solely on the loans entering repayment in that loan program. If an institution has students or former students who enter repayment on loans from **both** the FFEL Program and Direct Loan Program, the Department will calculate a “Dual-Program” cohort rate that includes both types of loans. This means that a school will receive one of the following types of cohort default rates, depending upon the types of loans that enter repayment during the fiscal year:

- (1) an FFEL Program cohort default rate,
- (2) a Direct Loan Program cohort rate or
- (3) a Dual-Program cohort rate.¹

In this guide, the term **cohort default rate** refers to FFEL Program, Direct Loan Program, and Dual-Program cohort rate unless stated otherwise.

How do cohort default rates affect a school?

There are no consequences associated with the **draft** cohort default rates. However, there are consequences associated with **official** cohort default rates which are released by the Department approximately six months after the release of the draft cohort default rates. The HEA and the Department's regulations describe these consequences and outline the sanctions that apply when a school's official cohort default rate is at or above certain percentages.² These include:

- **Initial loss of FFEL and/or Direct Loan Program eligibility.** This occurs when a school's official cohort default rate is 25.0 percent or greater for each of the three most recent consecutive fiscal years.³ (In this case, FY 1994, FY 1995 and FY 1996.)
- **Extended loss of FFEL and/or Direct Loan Program eligibility.** This occurs when a school lost FFEL and/or Direct Loan Program eligibility prior to the release of its FY 1996 official cohort default rate due to three consecutive cohort default rates equal to or greater than 25.0 percent, AND its FY 1996 cohort default rate is equal to or greater than 25.0 percent.⁴
- **Possible action to limit, suspend, or terminate (LS&T) a school's participation in all Title IV Student Financial Assistance Programs.** This occurs when a school's official cohort default rate is greater than 40.0 percent for any single fiscal year.⁵

¹ Referred to as a *Weighted Average Cohort Rate* in the Department's regulations. See 34 CFR § 668.17(f).

² Historically black colleges and universities, tribally controlled community colleges, and Navajo community colleges are not subject to the loss of FFEL and/or Direct Loan program eligibility based on cohort default rates for the three most recent fiscal years until July 1, 1998. See HEA section 435(a)(2)(C) and 34 CFR § 668.17(b)(5).

³ 34 CFR § 668.17(b).

⁴ Id.

⁵ 34 CFR § 668.17(a)(2).

Why are draft cohort default rates important?

Draft cohort default rates give schools an opportunity to review and, if necessary, correct the data that will be used to calculate its official cohort default rate. It is very important that a school participate in the draft data review process to ensure that its official cohort default rate is accurate. Failure to participate in the draft data review process waives certain appeal rights of your school's official cohort default rate. If your school believes there are errors in the draft data, then your school must submit a written challenge directly to the appropriate GA and/or DLSC within **thirty (30) calendar days** of receiving the draft backup data.⁶ The GA and/or DLSC will respond to your school's challenge **within thirty (30) calendar days** of receipt and will either **agree or disagree** with your challenge(s) in writing.⁷

- If the GA and/or DLSC **agrees** that there is incorrect data, then the GA and/or DLSC is required to submit the corrected data to the Department. If the agreed upon corrections are not made before the release of the official cohort default rates, then the school is eligible to submit a request for adjustment to the Department after the release of the official cohort default rates.
- If the GA and/or DLSC does **not agree** that there is incorrect data, a school preserves its right to submit an erroneous data appeal on the basis of **disputed data** if the school is subject to initial or extended loss of FFEL and/or Direct Loan Program eligibility or subject to an LS&T action.⁸

What are the time frames for submitting challenges?

After reviewing the draft backup data, if you find errors, then your school must submit a challenge to the relevant GA or DLSC, in writing, **within thirty (30) calendar days** of receiving the draft backup data. It is imperative the school submit a challenge directly to the relevant GA and/or DLSC. A school should **NOT** send its challenge to the Department's Default Management Division **unless it is challenging draft backup data on FFEL Program loans that are currently held by the Department.**

Please see the section entitled, "Challenging Draft Data" beginning on page 15 for a complete discussion on submitting a challenge during the draft data review process.

⁶ 34 CFR § 668.17(j)(2)

⁷ 34 CFR § 668.17(j)(3)

⁸ 34 CFR § 668.17(j)(7)

What if the GA and/or DLSC agrees to make a change to the draft backup data but the change was not made in my school's official backup data?

After the release of the FY 1996 **official** cohort default rates, any school may submit a **request for adjustment** if:

- (1) The school submitted a challenge of its draft cohort default rate backup data to a GA and/or DLSC during the *draft data review process* AND
- (2) The GA and/or DLSC agreed to make a change(s) to the backup data, BUT
- (3) The change(s) is not reflected in the school's FY 1996 official backup data.

What if a school does not agree with the GA and/or DLSC response?

After the release of the FY 1996 **official** cohort default rates, a school may appeal data that is in dispute (disputed data) in an erroneous data appeal if the school is subject to initial or extended loss of FFEL and/or Direct Loan Program eligibility or subject to an LS&T action AND believes that **disputed data** was used in calculating its official cohort default rate. To be eligible to submit an erroneous data appeal on the basis of **disputed data**, your school must have:

- (1) Challenged the data during the *draft data review process*,
- (2) Received a response from the relevant GA and/or DLSC during the draft data review process indicating that the GA and/or DLSC did **NOT** agree with the errors your school challenged, and
- (3) Received notice that it is subject to loss of FFEL and/or Direct Loan Program eligibility or subject to LS&T action due to its official cohort default rates.

If a school fails to challenge draft data during the *draft data review process*, then the school forfeits its right to submit an erroneous data appeal on the basis of **disputed data**.

What if my school believes that its official backup data contains errors which were not in the draft backup data?

After official cohort default rates are released, a school may submit an erroneous data appeal on the basis of **incorrect new data** provided that it is subject to the loss of FFEL and/or Direct Loan Program eligibility and/or LS&T of all Title IV Student Financial Aid Programs. New data occurs when your school's official data differs from the draft data reported to your school. New data can also be included in your school's official cohort default rate backup data even if your school did not challenge the draft data. New data is added regularly because the Department's National Student Loan Data System

(NSLDS) is updated regularly with new information from several sources including lenders, GAs, and/or the Department.

Your school may be eligible to submit an erroneous data appeal on the basis of **incorrect new data** if your school:

- (1) Discovers that there is new data in the official backup data;
- (2) Determines that the new data did not result from the draft data review process challenge(s);
- (3) Believes the new data are incorrect; AND
- (4) Received notice that it is subject to loss of FFEL and/or Direct Loan Program eligibility or subject to LS&T action due to its official cohort default rate.

What if I am a new school official and I have never reviewed draft backup data before?

Because the *FY 1996 Draft Cohort Default Rate Review Guide* may be used by new school officials as well as experienced financial aid officers, this guide begins with sections covering cohort default rates and backup data.

If you are reviewing backup data for the first time, we recommend that you read through the “Cohort Default Rate” section and “Backup Data” section of the guide before proceeding to the “Challenging Draft Data” section. This background material will help you understand the draft data review process.

If you are experienced with the review of the draft backup data, you may choose to proceed directly to the “Challenging Draft Data” section on page 15.

REMEMBER

- Draft cohort default rates are used for the purpose of correcting errors before official cohort default rates are released to the public and sanctions are imposed on schools. The Department does not release draft cohort default rates to the public.
- If a school does not challenge data during the draft data review process it has lost the opportunity to correct and challenge that data and may not submit an erroneous data appeal on the basis of **disputed data**.

If you have any questions or need additional information after reviewing this guide, please contact the Default Management Division at (202) 708-6048 or write to the Department at the following address:

Default Management Division
U.S. Department of Education
Portals Building, Room 6300
600 Independence Avenue, S.W.
Washington, D.C. 20202-5353

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Cohort Default Rates

What is a Cohort Default Rate?

A cohort default rate is the percentage of a school's student borrowers who enter repayment on FFEL Program and/or Direct Loan Program loans during a particular Federal fiscal year (Oct. 1-Sept. 30) and default during that fiscal year or during the next fiscal year. For the purpose of calculating a proprietary non-degree granting school's cohort default rate, the Department also considers a Direct Loan in default if the borrower is under the Income Contingent Repayment (ICR) Plan and the monthly payment is less than \$15 per month for at least 270 days and results in negative amortization during the fiscal year in which the loan entered repayment or during the next fiscal year.

The cohort default rate may be an FFEL Program cohort default rate, a Direct Loan Program cohort rate or a Dual-Program cohort rate depending on the type or types of student loans that comprise the rate.

- **An FFEL Program cohort default rate¹** is the cohort default rate for schools whose students have **only** FFEL Program loans entering repayment for a particular fiscal year. It is the percentage of a school's students who enter repayment on certain FFEL Program loans during a particular fiscal year and default within that fiscal year or the next fiscal year.

- **A Direct Loan Program cohort rate²** is the cohort rate for schools whose students have **only** Direct Loan Program loans entering repayment for a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain Direct Loan Program loans during a particular fiscal year and who, during that fiscal year or the next fiscal year, either:
 - Default or
 - For proprietary non-degree granting schools only--Have scheduled monthly payments under the ICR Plan that are less than \$15 per month and that condition has existed for at least 270 days and results in negative amortization.
- **A Dual-Program cohort rate³** is the cohort rate for schools whose student borrowers have **both** FFEL Program and Direct Loan Program loans entering repayment for a particular fiscal year. It is the percentage of a school's students who enter repayment on certain FFEL Program and Direct Loan Program loans during a particular fiscal year and who, during that fiscal year or the next fiscal year, either:
 - Default or
 - For proprietary non-degree granting schools only--Its Direct Loan borrowers have scheduled monthly payments under the ICR Plan that are less than \$15 per month and that condition has existed for at least 270 days and results in negative amortization.

² 34 CFR § 668.17(e).

³ 34 CFR § 668.17(f). The regulations use the term "weighted average cohort rate." This guide uses the term "Dual-Program cohort rate" to describe the same rate and calculation.

Note

This guide will use the term “cohort default rate” to refer to a school’s FFEL Program cohort default rate, Direct Loan Program cohort rate, or Dual-Program cohort rate unless stated otherwise.

What are the time frames of a cohort period?

The time frames for a cohort period are based on two Federal fiscal years (FY). The denominator is based on one FY and the numerator is based on two FY’s. An FY begins on October 1 of a calendar year and ends on September 30 of the following calendar year. The time frames for FY 1996 and FY 1997 are:

FY 1996
10/1/95 TO 9/30/96

FY 1997
10/1/96 TO 9/30/97

The cohort period for FY 1996 includes those loans that entered repayment in **FY 1996** and defaulted in **FY 1996** or **FY 1997**. The loans that entered repayment between October 1, 1995 and September 30, 1996 and defaulted between October 1, 1995 and September 30, 1997 would be included in the FY 1996 cohort default rate calculation.

The chart to the right outlines the past five cohort periods and the loans included in the cohort default rate calculations.

Loans Included in the Cohort Default Rate Calculation	Period of Time
FY 1992 Students that entered repayment on their loans in FY 1992 <u>and defaulted in FY 1992 or FY 1993</u> Students that entered repayment on their loans in FY 1992	<u>10/1/91 to 9/30/93</u> 10/1/91 to 9/30/92
FY 1993 Students that entered repayment on their loans in FY 1993 <u>and defaulted in FY 1993 or FY 1994</u> Students that entered repayment on their loans in FY 1993	<u>10/1/92 to 9/30/94</u> 10/1/92 to 9/30/93
FY 1994 Students that entered repayment on their loans in FY 1994 <u>and defaulted in FY 1994 or FY 1995</u> Students that entered repayment on their loans in FY 1994	<u>10/1/93 to 9/30/95</u> 10/1/93 to 9/30/94
FY 1995 Students that entered repayment on their loans in FY 1995 <u>and defaulted in FY 1995 or FY 1996</u> Students that entered repayment on their loans in FY 1995	<u>10/1/94 to 9/30/96</u> 10/1/94 to 9/30/95
FY 1996 Students that entered repayment on their loans in FY 1996 <u>and defaulted in FY 1996 or FY 1997</u> Students that entered repayment on their loans in FY 1996	<u>10/1/95 to 9/30/97</u> 10/1/95 to 9/30/96

Which loans are included in the calculation?

The cohort default rate is calculated on the basis of FFEL Program loans and/or Direct Loan Program loans.

The FFEL Program loans included in the calculation are:

- Subsidized and Unsubsidized Federal Stafford Loans (FFEL/Stafford Loans) and
- Federal Supplemental Loans for Students (Federal SLS Loans).

The Direct Loan Program loans included in the calculation are:

- Subsidized and Unsubsidized Federal William D. Ford Program Loans/Direct Stafford (DL/Stafford loans).

The following loans are NOT included in the cohort default rate calculation:

- Federal PLUS Loans
- Federal Direct PLUS Loans
- Federal Insured Student Loans and
- Federal Perkins Loans.

Note

Federal Consolidation Loans and Direct Consolidation Loans are not counted in the cohort default rate calculation. However, the status of a consolidation loan may affect the treatment of the loan(s) that were paid off by the consolidation loan. A discussion of consolidation loans is on page 7.

How does the Department calculate a school's cohort default rate?

The formula the Department uses for calculating a school's cohort default rate depends on the number of student borrowers from that school entering repayment in the specified FY.

For a school with **30 or more borrowers** entering repayment during FY 1996, the FY 1996 cohort default rate is calculated as follows:

$$100X \frac{\text{The number of students who entered repayment in FY 1996 and defaulted and/or made payments under the ICR Plan below certain amounts* before the end of FY 1997 (Numerator)}}{\text{The number of students who entered repayment in FY 1996 (Denominator)}^4}$$

***Borrowers who are making payments under the ICR Plan below certain amounts** are included in the numerator only for proprietary non-degree-granting institutions whose Direct Loan Program borrowers have been under an income contingent repayment plan for 271 days with scheduled monthly payments of less than \$15 that result in negative amortization.⁵

⁴ 34 CFR § 668.17(d), (e), and (f).

⁵ 34 CFR § 668.17(e)(1)(ii).

Example:

(Assume all students had one loan.)

- School A certified 90 student loans that entered repayment in FY 1996. (Denominator)
- Of those 90 loans, 8 defaulted prior to October 1, 1997. (Numerator)
- School A's FY 1996 cohort default rate is calculated by dividing 8 by 90 and multiplying the result by 100 to produce a cohort default rate of 8.9 percent.

$$100 \times 8 / 90 = 8.9\%$$

If a school has **fewer than 30 borrowers** entering repayment, the Department calculates an **average cohort default rate**. An average cohort default rate is calculated by adding the number of students who entered repayment in FY 1994, FY 1995 and FY 1996 and defaulted in the FY they entered repayment or the next FY. The FY 1996 formula is:

The number of students **who entered repayment** in FY 1994, FY 1995 and FY 1996 and **defaulted** and/or made payments under the ICR Plan below certain amounts* before the end of the fiscal year immediately following the fiscal year in which the loan entered repayment (Numerator)

100X

The number of students **who entered repayment** in FY 1994, FY 1995 and FY 1996 (Denominator)⁶

⁶ 34 CFR § 668.17(d), (e), and (f).

***Borrowers who made payments under the ICR Plan below certain amounts** are included in the numerator only for proprietary non-degree-granting institutions whose Direct Loan program borrowers have been under an income contingent repayment plan for 271 days with scheduled monthly payments of less than \$15 that result in negative amortization.⁷

Example:

(Assume all students had one loan.)

- School B certified the following loans for students: 10 loans that entered repayment in FY 1994, 20 loans that entered repayment in FY 1995, and 29 loans that entered repayment in FY 1996. 10+20+29=59 (Denominator)
- Of those 59 loans, two loans entered repayment in FY 1994 and defaulted before the end of FY 1995; six loans entered repayment in FY 1995 and defaulted before the end of FY 1996; and four loans entered repayment in FY 1996 and defaulted before the end of FY 1997. 2+6+4=12 (Numerator)
- School B's FY 1996 average cohort default rate is calculated by dividing 12 by 59 and multiplying the result by 100 to produce an average cohort default rate of 20.3 percent.

$$100 \times 12 / 59 = 20.3\%$$

⁷ 34 CFR § 668.17(e)(1)(ii).

How does the Department determine which loans are placed in the denominator?

Loans included in the denominator of the FY 1996 cohort default rate calculation are FFEL Program and Direct Loan Program loans that entered repayment in FY 1996.

The following paragraphs describe when a loan is considered to have entered repayment.

- **FFEL Program/Stafford Loans**
Subject to the special circumstances outlined on page 8, FFEL Program/Stafford loans enter repayment on the day or month following six months of an uninterrupted grace period after a student drops below at least half-time enrollment.

Note

The repayment date for FFEL Program/Stafford Loans may be date-specific (for example, 5/16/95) or month-specific (for example, 5/95) if the loan was converted into repayment before March 1996.

Beginning in March 1996, the date entered repayment must be date-specific.

- **Direct Loan Program/Stafford Loans**
All Direct Loans, subject to the special circumstances outlined on page 8, enter repayment on the day following six months of an uninterrupted grace period after a student drops below at least half-time enrollment.

For any Federal SLS Loan that was not included in the calculation for a cohort period prior to FY 1993, the following rule applies:

- If a student has both a Federal SLS Loan and a Federal Stafford Loan that were both obtained in the same period of continuous enrollment, the date entered repayment for the Federal SLS Loan is the same as the date entered repayment for the Federal Stafford Loan.
- In all other instances, the date entered repayment for the Federal SLS Loan is the day following the day a student is no longer enrolled on at least a half-time basis.

Under the above guidelines, which were implemented beginning with the FY 1993 cohort default rates, a loan that was reported as having entered repayment prior to FY 1993 might also meet the criteria to be included in FY 1993 or later. To prevent the possibility of double-counting loans, any Federal SLS Loan that was included in the calculation for a cohort period prior to FY 1993 will not be included in another cohort period again.

How does the Department determine which loans are in the numerator?

For FFEL Program loans, only defaulted loans are included in the numerator of the calculation. **For cohort default rate purposes**, a defaulted FFEL loan is only included in the numerator if a guaranty agency pays a default claim on the loan to the lender. For administrative purposes, the Department reports the date the guaranty agency reimburses the lender for the defaulted loan

(the claim paid date or CPD) as the default date.⁸

Direct Loan Program loans are included in the numerator of the cohort default rate calculation for all schools when students are 271 days delinquent.⁹ In addition, Direct Loans are included in the numerator of the cohort default rate calculation for proprietary non-degree-granting institutions if the borrower has been under an income contingent repayment plan for at least 270 days with scheduled monthly payments of less than \$15 that result in negative amortization.¹⁰

The following table summarizes when a loan is included in the numerator of the cohort default rate calculation:

**In the Numerator
(For Cohort Default Rate Purposes)**

	FFEL Program Loans	Direct Loan Program Loan
Proprietary Non-Degree-Granting Schools	Loan defaults and claim is paid by GA	271st day of delinquency OR 271st day of monthly payments on an ICR plan that are less than \$15.00 and result in negative amortization
Other Schools	Loan defaults and claim is paid by GA	271st day of delinquency

⁸ 34 CFR § 668.17(d)(1)(i)(C).

⁹ 34 CFR § 668.17(e)(3).

¹⁰ 34 CFR § 668.17(e)(1)(ii).

What if a borrower had more than one loan entering repayment during the fiscal year?

If a borrower had more than one loan entering repayment in the same fiscal year, the borrower is counted **ONLY** once because cohort default rates are calculated on the basis of an unduplicated borrower count per fiscal year.

Example

Chris attended a two-year program and obtained two loans. Chris graduated in January of 1996 and the loans entered repayment in July of 1996. Chris failed to make any payments on either of the loans. Because a school's cohort default rate is calculated on the basis of an unduplicated borrower count, Chris is counted only once in the numerator and once in the denominator of the FY 1996 cohort default rate calculation.

How does student loan consolidation affect a school's cohort default rate?

Loans that were repaid by an FFEL Program or Direct Loan Program consolidation loan are counted in the applicable cohort default rate on the basis of the date on which the underlying loans entered repayment. As a result, if a student defaults on a consolidation loan, (and/or, for Direct Loans certified by proprietary non-degree granting schools, a student who makes payments under the ICR Plan in certain circumstances) during the cohort period in which the underlying loans entered repayment, the underlying loans are counted as in default for the school where the loan was received.

Example

After graduating from cosmetology school, Chris's loans entered repayment in FY 1996. Chris obtained a consolidation loan in FY 1997.

- If Chris **did not default** on the underlying loan or the consolidated loan, Chris is counted once in the denominator of the FY 1996 cohort default rate.
- If Chris **defaulted** on the underlying loan or the consolidated loan prior to the end of FY 1997, Chris is counted once in the numerator and once in the denominator of the FY 1996 cohort default rate.

The Department frequently receives questions about the effect of students' special circumstances on a school's cohort default rate. On the following page is a table that addresses many of these circumstances.

After reading this section regarding the cohort default rate calculation, repayment dates, and special circumstances, a school is now ready to start reviewing its draft back-up data.

Special Circumstances Affecting How FY 1996 Cohort Default Rates are Calculated

Special Circumstances	Effect on the Numerator	Effect on the Denominator
Borrower defaulted on loan in FY 1996 or FY 1997, but then the loan was discharged due to death, bankruptcy, and/or disability. ¹	Include in the numerator because the loan defaulted prior to death, bankruptcy, and/or disability.	Include in the denominator.
Prior to default or before the 271st day of delinquency for Direct Loan Program loans, a borrower's loan was discharged due to death, disability or bankruptcy.	Do not include in the numerator because the loan is not considered in default.	Include in the denominator.
A loan on which a payment is made by the school, its owner, agent, or any other entity or individual affiliated with the school to avoid default by the borrower. ²	Include in the numerator because the loan is considered in default.	Include in the denominator.
Borrower defaulted but the loan was rehabilitated before the end of FY 1997. ³	Do not include in the numerator because the loan is not considered in default.	Include in the denominator
Borrower never defaulted and paid loan in full prior to the scheduled repayment date OR borrower made payments prior to the scheduled repayment date. ⁴	Do not include in the numerator because the loan did not default.	Include loan in the denominator in the fiscal year the first payment was made.
Borrower defaulted but subsequently paid loan in full.	Include in the numerator because the loan defaulted.	Include in the denominator.

¹ 34 CFR § 682.402 and 685.212.

² HEA Section 435(m)(2)(B).

³ HEA Section 435(m)(2)(C). For cohort default rate purposes, a Direct Loan Program loan is rehabilitated if borrower has made 12 consecutive on-time payments before the end of the cohort period in which the student entered repayment. An FFEL loan is rehabilitated if a borrower has made 12 monthly consecutive on-time payments before the end of the cohort period in which the student entered repayment and the GA sold the loan to a lender.

⁴ Date entered repayment moves up to the date the borrower made the first payment.

Backup Data

What is backup data?

A Loan Record Detail Report, usually referred to as backup data (BUD) or a backup data report, is a report sent to schools from the Department containing information on FFEL Program loans and/or Direct Loan Program loans that were used to calculate a school's cohort default rate. The backup data lists a school's loan activity including:

- The number of borrowers that entered repayment during a given fiscal year;
- The loan status of those borrowers; and
- The school's draft cohort default rate.

Which schools receive draft backup data?

The regulations require the Department to send backup data to schools with draft cohort default rates above 20%.¹ However, the Department has chosen to expand this group and will send FY 1996 draft backup data to **all** postsecondary schools.

Why should a school review its draft backup data?

A school should review its **draft** backup data to verify that the loan information that will be used to calculate its **official** cohort default rate is accurate. The official cohort default rate is used to determine if the school may be subject to sanctions so it is important for the school to verify the accuracy of its draft data before the official cohort default rates are calculated and released to the public. By challenging errors during the draft data review process, a school will also preserve its right to submit an erroneous data appeal on the basis of *disputed data* if the school becomes subject to sanctions.

In reviewing the backup data, a school should verify that:

- The student loans included in the draft backup data are correctly reported (i.e. the date entered repayment and default date are correct) and/or
- No student loans that should have been included were omitted from the draft backup data.

¹ 34 CFR § 668.17(j)(1)(ii).

If your school finds errors in the backup data, then your school must submit a written challenge to the relevant Guaranty Agency (GA) and/or Direct Loan Servicing Center (DLSC) within **thirty (30) calendar days** of receiving the draft backup data.

REMEMBER

- All schools may submit a written challenge during the draft data review process even those schools whose cohort default rates are less than 25.0%. The FY 1996 draft data review process is the only time schools may review and challenge FY 1996 draft backup data.
- A school must challenge errors during the draft data review process to preserve its right to submit an erroneous data appeal after the release of the official cohort default rates. If your school DOES NOT challenge draft errors, then your school will forfeit its right to challenge those errors during the official review process.²

How does the Department produce backup data?

The Department produces backup data reports using student loan information that has been electronically submitted to the Department's National Student Loan Data System (NSLDS) by GAs and the DLSC.

Will a school's draft data and official data be the same?

Not necessarily. Because the National Student Loan Data System (NSLDS) is updated regularly with new information from several sources, your school's *official* backup data may differ from the *draft* backup data even if your school does not challenge its draft cohort default rate. This new information is called

new data. For a full discussion on new data please see page iv of the Introduction.

Is backup data subject to the Privacy Act?

Yes, the Privacy Act of 1974 applies to all backup data sent to schools, guaranty agencies, and the Direct Loan Servicing Center, as it contains personally identifying information about students who receive FFEL Program and/or Direct Loan Program loans. These and other materials are of a private nature. The use of this material is covered by the Privacy Act; it also might be governed by state and local laws and regulations. Recipients should take appropriate steps to safeguard this material, guarantee that it is used appropriately, and ensure that it is discarded properly.

How does a school read a draft backup data report?

At the top of each page of the draft backup data report you will find the title:

U. S. DEPARTMENT OF EDUCATION
NATIONAL STUDENT LOAN DATA SYSTEM
1996 DRAFT LOAN RECORD DETAIL REPORT

The first page of the report contains information about the school (see pages 12 and 13 for a sample report). This includes its name, address, and Organization Number (which is the same as the school's OPE [Office of Postsecondary Education] ID number), and the rate calculation date (also called the run date).

Following this information, there are two horizontal rows of student loan information, each set off by hashed lines. These rows contain column headers for the data contained in the report; each student loan has two rows of information.

² 34 CFR § 668.17(j)(7).

Example

Find the column header SSN (social security number). It is located in the first column header row on the left side of the report. Students' social security numbers are listed in this column.

Individual student loan data are listed under the column headers. The data are sorted by Social Security Number.

The usage codes in the 2nd row and last two columns identify how a loan is used in the calculation

- **Usage code 1**, in the second to last column of the backup data identifies how a particular loan is included in the draft cohort default rate calculation. This data for all the students is summarized on the last page of the backup data under actual numerator, actual denominator and actual Cohort Default Rate. This is the school's draft cohort default rate.
- **Usage code 2**, in the final column of the report, categorizes how the loan is counted in each individual loan program. This is summarized in the **Individual Program Tally** on the final page of the report (see page 13 box 5). The Individual Program Tally is NOT a school's draft cohort default rate--it is purely informational, to tell the school of the number of loans identified with each loan program. There is a separate numerator and denominator count for both FFEL Program and Direct Loan Program borrowers if a school has loans entering repayment from each loan program.

On the final page of the backup data report, for a **proprietary non-degree granting school**, there is a field for a numerator and denominator count of all of the school's Direct Loan Program borrowers who have been under the income contingent repayment plan for 271 days with scheduled monthly payments of less than \$15 that result in negative amortization. For purposes of the cohort rate calculation, the borrower is included in the numerator if the 271st day falls within the cohort period. If the school is NOT a proprietary non-degree granting school, OR if it does not have any student loans meeting these criteria, this field will be zero.

A school does not select whether it has an FFEL Program cohort default rate, a Direct Loan Program cohort rate, or a Dual-Program cohort rate. The rate is determined by the type of federal student loans that entered repayment in a given FY.

Average Cohort Default Rate Schools

The rate shown on the final page of the backup data report, labeled "Actual Default Rate," is a default rate calculated on the basis of one fiscal year of information and it is not your school's average rate. For details on how to calculate your school's *average* rate, turn to page 4. Your school will need its FY 1994, FY 1995 and FY 1996 actual default rates.

On the next two pages is a sample of a backup data report including explanations of information contained in the report that relate to draft cohort default rates. Information about the different data elements included in the report is at the bottom of the pages.

U. S. DEPARTMENT OF EDUCATION
 NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)
 COHORT YEAR 1996 DRAFT LOAN RECORD DETAIL REPORT

RATE CALCULATION DATE: 03/28/98
 PAGE NO: 1
 (SCHOOL)

Organization ID Number: 01111100
 Attention: AUTOMATIC GENERATION
 Name: STATE COLLEGE
 Address: 4900 MAIN STREET
 City: ANYTOWN
 Country: USA
 State: NY
 Postal Code: 00000-0000
 Program Type: FFEL/DL Years: 1

SSN	Last name	First/M.I.	D.O.B	Original School	CLASS	Begin Date	End Date	Academic Level							
222-44-5555	SMITH	COLIN	H 06/10/1974	01111100				A							
8888880000	8888880000	SF	1	DX	2	DF	3	4	5	6	7	8	9	10	11
				07/12/1996	01/01/1996	\$7,500		F	08/28/95	B	FB				
333-55-6666	JONES	WILLIAM	H 06/10/1974	01111100				A							
8888880000	8888880000	SF	RP	00/00/0000	01/01/1996	\$7,500		W	06/15/95	D	FD				

1. Loan Type - The following codes indicate the type of loan:

- FFEL Program**
- SF - Federal Stafford Loan
- SU - Federal Unsubsidized Stafford Loan
- SL - Federal SLS
- CL - Federal Consolidation Loan
- PL - Federal PLUS Loan
- Direct Loan Program**
- D1 - FDLP Stafford Loan
- D2 - FDLP Unsubsidized Stafford Loan
- D4 - FDLP PLUS Loan
- D5 - FDLP Unsubsidized Consolidation Loan
- D6 - FDLP Subsidized Consolidation Loan
- D7 - FDLP PLUS Consolidation Loan

6. Begin Class Date - The date classes were scheduled to start for the loan period covered by the loan.

7. End Class Date - The date classes were scheduled to end for the loan period covered by the loan.

8. Amount - The full amount of the loan.

9. Guarantor/Servicer - The code that identifies the GA or DLSC. These codes are provided in the GAYLSC Contact Lists on pages 25 and 39. Submit challenges to these organizations at the addresses provided.

10. Guaranty Loan Date - The date the GA insured the FFEL loan for the lender OR the first date of disbursement of the Direct Loan Program loan.

11. Enrollment Code - The following codes indicate the student's current enrollment status as reported through the SSCR, or other status updates:

- A - Approved leave of absence
- D - Deceased
- F - Full time
- G - Graduated
- H - Half time or more, but less than full time
- L - Less than half time
- W - Withdrawn
- X - Never attended
- Z - No record found

2. Loan Status - The current status of the borrower's loan. See the chart on page 14 for a listing of loan status codes.

3. Claim Rsn Code - This field contains a code if an insurance claim was paid.

4. Default/NegAm Date - The date the loan defaulted for CDR purposes OR for proprietary non-degree-granting schools, the 271st day on an ICR plan with scheduled monthly payments of \$15 or less which result in negative amortization which determines if a loan is in the numerator of the calculation.

5. Repay Date - The date the loan entered repayment, which determines if a loan is in the denominator of the calculation.

U.S. DEPARTMENT OF EDUCATION
 NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)
 COHORT YEAR 1996 DRAFT LOAN RECORD DETAIL REPORT (SCHOOL)

RATE CALCULATION DATE: 03/28/98
 PAGE NO: 20 OPEID: 01111100

SSN	Last name	First/M.I.	D.O.B	Original School	Begin Date	CLASS	End Date	Academic Level
777-33-5555	JORDAN	JEAN	A	011111100	01/28/1995	0101	05/11/1996	
0101	555	D1	DF	07/12/1996	11/01/1995	\$7,500	0101	01/15/1995
3 Actual Numerator Count :		5		7 Actual Default Rate:		7.7		8 Report Count :
4 Actual Denominator Count :		65		5 INDIVIDUAL PROGRAM TALLY: FFEL: 4/51, DIRECT: 2/25				9 Report Count :
6 Appealed Rate flag:		N		10 IC:				0

- Draft Cohort Default Rate Usage** - Indicates how the loan was counted in the draft CDR. (May be Dual-Program if school has both FFEL and Direct Loan Program loans entering repayment in FY 1996.)
 D - Denominator only
 B - Both Numerator and Denominator
 N - Not Used
 E - Eligible, but not counted
- FFEL/Direct Loan Program Usage** - Indicates how the loan was counted for FFEL/Direct Loan Program borrowers. The codes include:
 Direct Loan Program
 DD - DL Numerator
 DB - DL Denominator
 IC - ICR (Negative Amortization only)
 N - Not Used
 E - Eligible, but not counted
- Actual Numerator Count** - The total number of unduplicated borrowers in the numerator of the Draft CDR. (May be Dual-Program if school has both FFEL and Direct Loan Program loans entering repayment in FY 1996.)
- Actual Denominator Count** - The total number of unduplicated borrowers in the denominator of the Draft CDR. (May be Dual-Program if school has both FFEL and Direct Loan Program loans entering repayment in FY 1996.)
- Individual Program Tally** - The total number of unduplicated borrowers counted in the numerator and denominator of the FFEL and/or Direct Loan Programs.
- Appealed Rate Flag** - Indicates appealed rate status of CDR:
 D - Direct - school CDR altered due to its own appeal
 I - Indirect - school CDR altered due to an appeal filed by a different school in the combination/substitution/merger.
 N - No Appeal - school CDR not altered by an appeal
 U - Unknown - appeal status unknown for CDR prior to 1993
- Actual Default Rate** - The FY 1996 draft cohort default rate. (May be Dual-Program if school has both FFEL and Direct Loan Program loans entering repayment in FY 1996.)
- Report Count** - The numerator count reflected in the draft backup data. May differ from the Actual Numerator Count due to appeal adjustments or due to average rates. This is not necessarily the count used in the draft cohort default rate.
- Report Count** - The denominator count reflected in the draft backup data. May differ from the Actual Denominator Count due to appeal adjustments or average rates. This is not necessarily the count used in the draft cohort default rate.
- IC** - The number of unduplicated borrowers making scheduled monthly payments of less than \$15.00 on an ICR plan and results in negative amortization effective the 271st day of the circumstances persist. This field only applies to proprietary non-degree-granting schools.

Loan Status Codes

CODE	STATUS
BC	Bankruptcy Claim, Discharged
BK	Bankruptcy Claim, Active
CA	Canceled
DA	Deferred
DB	Defaulted, then Bankrupt, Active, Chapter 13
DC	Defaulted, Compromise
DD	Defaulted, then Died
DE	Death
DI	Disability
DK	Defaulted, then Bankrupt, Discharged, Chapter 13
DL	Defaulted, in Litigation
DO	Defaulted, then Bankrupt, Active, Other
DP	Defaulted, Paid-In-Full
DS	Defaulted, then Disabled
DT	Defaulted, Collection Terminated
DU	Defaulted, Unresolved
DW	Defaulted, Write-Off
DX	Defaulted, Six Consecutive Payments
FB	Forbearance
ID	In School or Grace Period
OD	Defaulted, then Bankrupt, Discharged, Other
PC	Paid-In-Full through Consolidation
PF	Paid-In-Full
RF	Refinanced
RP	In Repayment
UI	Uninsured/Unreinsured

Challenging Draft Data

What is challenging draft data?

Challenging your cohort default rate data is the process by which your school challenges, directly to the Guaranty Agency (GA) and/or the Direct Loan Servicing Center (DLSC), any errors contained in the loan information included in the draft backup data. By challenging errors during the draft data review process, your school:

- Has the opportunity to correct erroneous loan information before your official cohort default rate is calculated and released.

AND

- Will preserve the right to submit an erroneous data appeal on the basis of **disputed data** after the release of the FY 1996 official cohort default rates, if your school is subject to the loss of Federal Family Education Loan (FFEL) Program eligibility or Direct Loan Program eligibility and/or limitation, suspension, and termination (LS&T) of participation in all Title IV Student Financial Assistance Programs.³

If your school believes there is an error in the draft backup data, then it should submit a written challenge to the appropriate GA and/or DLSC. The GA and/or DLSC will then respond to your challenge and can either *agree* or *disagree* with your challenge.

If the GA and/or DLSC *agrees* that there is an error in the backup data, then the GA and/or DLSC is required to provide the Department with the corrected information. The changes reported by the GA and/or DLSC will be reflected in the official backup data.

If the GA and/or DLSC is unable to make the agreed upon changes before the official cohort default rates are released, your school may file an adjustment request with the Department after the official cohort default rates are released.

If the GA and/or DLSC *disagrees* with your challenge(s), your school may be eligible to submit an erroneous data appeal on the basis of **disputed data** after the official cohort default rates are released, if your school is subject to the loss of FFEL or Direct Loan Program eligibility and/or LS&T of participation in all Title IV Student Financial Assistance Programs.

Note

The Department will send your school the ***FY 1996 Official Cohort Default Rate Guide*** with your school's FY 1996 official cohort default rate. The guide will explain in detail the procedures and time frames for requesting an adjustment of your official cohort default rate and submitting an erroneous data appeal.

³ 34 CFR § 668.17(j)(7).

What are erroneous data?

The term “erroneous data” refers to loan information in your school’s backup data that is incorrect. Erroneous data are also missing loan information that was incorrectly excluded from the backup data.

When reviewing draft backup data, you might want to confirm:

- Accuracy of the date of last attendance;
- Accuracy of the date the loan entered repayment;
- Accuracy of the loan default date;
- That there are no missing, duplicated, canceled loans, or discharged loans that occurred before default;
- That there is no student whose loan entered repayment in the cohort year who was omitted from the backup data;

AND

- The same student loan was not reported in two different cohort years.

Note

These are some, but not all of the errors that might be identified.

Erroneous data would be if a school discovers that:

- A student is not reported correctly in the draft cohort default rate calculation.
- AND/OR
- A student was omitted entirely from the calculation.

Why should a school challenge draft data errors?

There are three very important reasons why schools should challenge its draft backup data.

- To ensure that no errors exist in the draft backup data because **your school will not be given a second opportunity to challenge and correct the data.**
- The loan information included in the draft backup data will be used to calculate your school’s FY 1996 official cohort default rate and **sanctions will be imposed** on schools whose cohort default rates exceed statutory thresholds.
- By challenging errors during the draft data review process your **school will preserve its right to submit an erroneous data appeal on the basis of disputed data** after the release of the official cohort default rates, if your school is subject to initial or extended loss of FFEL Program and/or DL Program eligibility or subject to LS&T action.⁴

What if my school does not challenge errors?

If a school fails to challenge errors in the FY 1996 draft backup data, it may **NOT** challenge the errors at any other time. The regulations provide that an institution will lose its right to submit an erroneous data appeal on the basis of disputed data if the error(s) in question were present in the draft backup data, but the school failed to submit a challenge during the draft data review process.⁵

⁴ 34 CFR § 668.17(j)(7).

⁵ 34 CFR § 668.17(j)(7).

Who is eligible to submit a challenge?

ALL schools, regardless of their cohort default rate, are allowed to review draft cohort default rate data and challenge errors during the draft data review process.

Which cohort default rate data may my school challenge?

A school can only challenge the most recent draft cohort default rate data. This is also true for schools that have an average cohort default rate.

What role does the Department have in my school's challenge?

The Department does not have a direct role during the draft data review process unless a school challenges draft backup data on FFEL Program loans that are currently held by the Department. Otherwise, a school should send its draft data challenge directly to the GA and/or DLSC and should NOT send its challenge to the Department.

The GA and/or DLSC will notify both the school and the Department of the results of the challenge.

What are the time frames and procedures for submitting a challenge?

Timing

Timing is critical when submitting a challenge. The required regulatory time frame is as follows:

- Within **thirty (30) calendar days⁶** of receiving the draft backup data your school must:

⇒ Review the draft backup data for errors,

AND

⇒ If there are errors, then your school must send a written challenge to the relevant GAs and/or DLSC.

Procedures

A challenge **MUST** include the following three items:

1. **A list of all challenges,**
2. **Evidence to support each challenge, and**
3. **Copies of all relevant pages from the backup data.**

The Department recommends that your school submit its properly completed challenge on school letterhead, in table format, social security number order, AND by certified mail, return receipt requested. Submit your complete challenge to the appropriate GAs and/or DLSC. For a list of GAs and/or DLSC addresses see pages 25 and 39.

⁶ 34 CFR § 668.17(j)(2).

NOTE

Do not submit your challenge or a copy of the challenge to the Department, unless you are challenging data on FFEL Program loans that are currently held by the Department. If you incorrectly submit your challenge to the Department, it will **NOT** be reviewed and **your school could miss the deadline for challenging the data with the appropriate GA and/or DLSC.**

The following discusses the three items included in a challenge:

1. A list of all challenges

The list must include the following for each challenge:

- Student's social security number (SSN)
- Student's name
- Type of loan (FFEL or DL) (Stafford or SLS)
- Last day of attendance or Less than half-time date (LDA/LTH)
- Date entered repayment (DER)
- Default Date (DD) or (for proprietary non-degree granting schools) the 271st day in which a Direct Loan borrower has been under an Income Contingent Repayment Plan with scheduled payments less than \$15 per month that result in negative amortization. (ICRD).
- Usage (Indicate how the loan **should be used** in calculation--numerator, denominator, both or none)
- Comments section which explains the error.

2. Evidence to Support Each Challenge

The evidence that is relevant depends on what error is alleged. Evidence of error includes, but is not limited to, documentation such as:

- Signed and dated copy of a Student Status Confirmation Report (SSCR).
- A copy of a canceled check, front and back, or other documentation showing that the student's loan was canceled in full within 120 days of disbursement by the lender.

3. Copies of all relevant pages from the backup data

Each challenge must be accompanied by **at least one page** of backup data. A school must provide both pages of backup data if the student belongs at the end of one page or at the beginning of the next page. The following are examples:

- If a student is **erroneously excluded** from the backup data, then provide the copy of the page or pages of backup data where the student should appear.
- If a student is **erroneously included** in the FY 1996 backup data but belongs in FY 1995, then provide the copy of the FY 1996 backup data where the student currently appears and a copy of the FY 1995 backup data where the student should appear.



Challenging Draft Data Check List

- Review the draft backup data.

- If there is an error, send a written challenge to the appropriate GA and/or DLSC **within 30 calendar days** from receiving your school's backup data.

- A challenge **MUST** include:
 - ◆ List of all challenges;

 - ◆ Evidence to support each challenge;

AND
- ◆ Copies of all relevant pages from the backup data.

On the next page is an example of a challenge.

This Example Illustrates How a School Would Submit a Challenge.

State College found two errors between its records and the FY 1996 backup data.

1. According to State College's records and information obtained from outside sources, Jessica Garcia entered repayment on 7/16/96, during the 1996 cohort period, but did not appear in the FY 1996 backup data. Thus, State College believes that Jessica was **erroneously excluded** from the FY 1996 cohort default calculation and Jessica's loan should be included in the denominator of the FY 1996 cohort default rate calculation.

2. According to State College's records and information obtained from outside sources, David Smith was **erroneously included** in the numerator and denominator of the FY 1996 backup data. State College's information shows that David had one loan, his last date of attendance was 11/12/96, and he entered repayment and defaulted in FY 1997. Because David entered repayment and defaulted in FY 1997, State College believes the loan should be removed from the FY 1996 cohort default rate calculation and counted in the numerator and denominator of the FY 1997 cohort default rate calculation.

State College sent a challenge to GA ABC within 30 calendar days of receipt of its draft cohort default rate data. The challenge included:

1. LIST OF CHALLENGES

State College (OPE ID#: 011111)

1996 Draft Data Challenges GA ABC

SSN	Name	Loan	LDA/LTH	DER	DD	Usage	Comments
222-22-2222	Jessica Garcia	Stafford FFEL	1/15/96	7/16/96	None	FY 1996 D	Student was erroneously excluded and should be added to the D of FY 1996 calculation.
333-33-3333	David Smith	SLS FFEL	11/12/96	11/13/96	6/10/97	FY 1997 B	Student was erroneously included and should be removed from the N/D of the FY 1996 calculation and added to the N/D of the FY 1997 calculation.

2. EVIDENCE

- **Jessica Garcia (222-22-2222)** State College included a signed and dated copy of an SSCR showing that Jessica left school on 1/15/95 and Jessica's date entered repayment is 7/16/96.
- **David Smith (333-33-3333)** State College included a signed and dated copy of an SSCR showing that David's last day of attendance was 11/12/96.

3. COPIES OF THE BACKUP DATA

- **Jessica Garcia (222-22-2222)** State college submitted a copy of FY 1996 backup data showing where Jessica Garcia should have been included but was not.
- **David Smith (333-33-3333)** State College sent a copy of the FY 1996 backup data where David Smith currently appears.

Within thirty days of receipt of the challenge, the GA will respond. Please see the next section for a full discussion on GA and/or DLSC responses.

Guaranty Agency and Direct Loan Servicing Center Responsibilities

What will be included in the response to a school's challenge?

The GA and/or DLSC response will address each challenge. The written response will be sent to the school **within 30 calendar days** of receipt of the challenge.⁷

A complete and correct GA and/or DLSC response will include the following information for each challenge:

- Student's social security number (SSN)
- Student's name
- Type of loan (FFEL or DL) (Stafford or SLS)
- Last day of attendance or Less than half-time date (LDA/LTH)
- Date entered repayment (DER)
- Default Date (DD)/
Income-Contingent Repayment Plan Date (ICRD)⁸

- Loan Usage (Indicates how GA and/or DLSC believes loan **should be used** in calculation (Numerator, Denominator, Both or None)
- Comments section which includes reasons why GA and/or DLSC agrees or disagrees with the challenge(s).

In its response, the GA or DLSC may use abbreviations including:

N	Numerator
D	Denominator
B	Both numerator and denominator
SF	Stafford
SL	Stafford Loan
SLS	Supplemental loans for students

Additional acronyms and abbreviations are found in the Useful Information Section at the end of this booklet.

The Department suggests that the GA and DLSC respond on GA or DLSC letterhead and in a table format. The students should be listed in social security number order.

Please refer to page 24 for a sample GA response.

⁷ 34 CFR § 668.17(j)(3).

⁸ ICRD applies only to proprietary non-degree-granting institutions whose Direct Loan borrowers have been under an income contingent repayment plan for 271 days with scheduled monthly payments of less than \$15 that result in negative amortization.

How does a GA and/or DLSC inform the Department of its decision?

At the same time that a GA and/or DLSC responds to a school's challenge, it sends the Department of Education's Default Management Division (DMD) a copy of its response.⁹

In addition, a GA and/or DLSC will provide the Department's National Student Loan Data System (NSLDS) with monthly updates that should reflect any agreed upon changes made by the GA and/or DLSC during the draft data review process.

What happens if the GA and/or DLSC agrees that there is an error in the draft backup data?

If the GA and/or DLSC agrees with a school's challenge(s), the GA and/or DLSC is required to electronically transmit these changes to NSLDS. The corrected data transmitted to NSLDS will be used in the calculation of the FY 1996 official cohort default rate.

If the agreed upon corrections are not made before the release of the official cohort default rates, the school is eligible to submit a request for adjustment to the Department after the release of the official cohort default rates. Your school will receive the *FY 1996 Official Cohort Default Rate Guide* with your school's FY 1996 official cohort default rate, which will explain in detail how to submit a request for an adjustment if the agreed upon changes are not made.

Why would a GA and/or DLSC not agree with my school's challenge?

There are several reasons why the GA or DLSC may not agree with your school's challenge. The following list includes several examples, but is not all-inclusive. Your school may have:

- Made only general allegations regarding the backup data and/or calculation.
- Failed to timely notify the lender or servicing center of a student's change in status which resulted in the student being listed in the backup data in the wrong cohort period or with the wrong loan status.
- Issued a refund on a canceled FFEL Program loan after 120 days of disbursement. If the refund only covered the principal, the fees remain an outstanding debt that must be paid by the borrower and may result in a default if not paid.
- Failed to provide supporting evidence for each challenge.
- Failed to challenge the GA and/or DLSC within 30 calendar days of receiving the backup data.

⁹ 34 CFR § 668.17(j)(4).

What happens when a GA and/or DLSC does not agree with my school's challenge?

If the GA and/or DLSC does not agree with your school's challenge, your school should review the response and the school's evidence and determine if the GA and/or DLSC is correct.

If your school still does not agree with the GA and/or DLSC response, your school may submit an erroneous data appeal based on disputed data used in its **official** cohort default rate, if your school is subject to loss of FFEL and/or Direct Loan Program eligibility or LS&T of all Title IV Student Financial Aid Programs. Do not file such an appeal until after your school receives its FY 1996 official cohort default rate.

The ***FY 1996 Official Cohort Default Rate Guide***, which will accompany your school's official FY 1996 cohort default rate, will provide additional instructions and guidance on how to file an erroneous data appeal.

If your school does not agree with the GA and/or DLSC response but is not subject to the above sanctions, it is NOT eligible to file an erroneous data appeal with the Department after the release of the official cohort default rates and the data will remain unchanged. The Department's regulations do not provide for administrative review beyond the draft data review process for schools that are not subject to sanctions.

However, if your school becomes subject to any of the above sanctions in future cohort periods, then your school may be eligible to submit an erroneous data appeal on the basis of **disputed data**, provided your school meets the eligibility requirements outlined in the ***Official Cohort Default Rate Guide***.

This Example Illustrates the GA Response to a Challenge.

State College submitted the following challenge to GA ABC within the thirty calendar day time frame.

1. According to State College's records, Jessica Garcia entered repayment on 7/16/96, during the 1996 cohort period, but did not appear in the FY 1996 draft backup data.

2. According to the FY 1996 backup data, David Smith appeared in both the numerator and denominator. However, according to the school records, David's last day of attendance was 11/12/96. Because David entered repayment and defaulted in FY 1997, the school believes the loan should be removed from the FY 1996 cohort default rate calculation.

State College's (OPE ID#: 111111)

FY 1996 Draft Data Review Challenge

Guaranty Agency/Direct Loan Servicing Center:

Guaranty Agency ABC

SSN	Name	Loan	LDA/LTH	DER	DD	Usage	Comments
222-22-2222	Jessica Garcia	Stafford FFEL	1/15/96	7/16/96	None	FY 1996 D	Student was erroneously excluded and should be added to the D of FY 1996 calculation.
333-33-3333	David Smith	SLS FFEL	11/12/96	11/13/96	6/10/97	FY 1997 B	Student was erroneously included and should be removed from the N/D of the FY 1996 calculation and added to the N/D of the FY 1997 calculation.

Within 30 calendar days of receiving the challenge, Guaranty Agency ABC provided this response:

Guaranty Agency ABC's Response to FY 1996 Draft Data Review Challenge

School: State College

OPE ID#: 111111

SSN	Name	Loan	LDA/LTH	DER	DD	Loan Usage	Comments
222-22-2222	Jessica Garcia	Stafford FFEL	1/15/96	7/16/96	None	Add to FY 1996 D	Agree that the student should be added to the D of the FY 1996 calculation.
333-33-3333	David Smith	SLS FFEL	8/20/96	8/21/96	6/10/97	FY 1996 B	Disagree that student should be removed from the N/D of the FY 1996 calc. Per school letter dated August 1996, dropped below half-time status on 8/20/96.

Guaranty Agency Contact List (Numerical)

CONTACTING GUARANTY AGENCIES

The guaranty agency list that follows contains the names, addresses, telephone numbers, and contact for guaranty agencies. Each guaranty agency is listed in **numerical order** by its three-digit guaranty agency code followed by the name of the state or territory in which it is the primary guarantor.

The number is the three-digit code found on a school's backup data for each loan record. If you do not know the three-digit code for a guaranty agency, see page 35 for an alphabetical listing of guaranty agencies by the state or territory in which it is the primary guarantor.

555 - U.S. Department of Education

U.S. Department of Education
ATTN: Default Management Division
Portals Building, Room 6300
600 Independence Avenue, SW
Washington, DC 20202-5353

(202) 708-9396

611 - District of Columbia

American Student Assistance
Corporation
ATTN: Cohort Section
P.O. Box 9215
Boston, MA 02116

Ms. Susan Pottern
(800) 999-9080 ext. 4216

620 - Kansas

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

627 - Higher Education Assistance Foundation (HEAF)

U.S. Department of Education
ATTN: Default Management Division
Portals Building, Room 6300
600 Independence Avenue, SW
Washington, DC 20202-5353

(202) 708-9396

631 - Higher Education Assistance Foundation (HEAF)

U.S. Department of Education
ATTN: HEAF
Portals Building, Room 6300
600 Independence Avenue, SW
Washington, DC 20202-5353

(202) 708-9396

654 - West Virginia

Pennsylvania Higher Education
Assistance Agency
ATTN: Compliance Department
1200 North 7th Street
4th Floor Loan Division
Harrisburg, PA 17102-1398

Ms. Genie Crownover
(800) 443-0646

656 - Wyoming

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

701 - Alabama

Kentucky Higher Education Assistance
Authority
ATTN: Manager, Policy and Client
Services Branch
West Frankfort Office Complex
1050 U.S. 127 South, Suite 102
Frankfort, KY 40601-4323

Ms. Elaine Brumback
(502) 564-2928

702 - Alaska

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

705 - Arkansas

Student Loan Guaranty Foundation of
Arkansas
ATTN: Compliance Division Manager
219 South Victory Street
Little Rock, AR 72201-1884

Ms. Brenda Steele
(501) 688-7648

706 - California

EDFUND
ATTN: LS&T Branch Cohort
Default Rate Appeals and Disputes
3300 Zinfandel Drive
P.O. Box 419045
Rancho Cordova, CA 95741-904

Ms. Kevis Foley-Bumgardner
(916) 324-1520

708 - Colorado

Colorado Student Loan Program
ATTN: Compliance, Training and Investigative
Branch Assistant Manager of
Marketing and Appeals
999 18th Street #425
Denver, CO 80202-2471

Mr. Chris Lines
(303) 294- 5050 ext. 358

709 - Connecticut

Connecticut Student Loan Foundation
ATTN: Manager of Guarantee Operations
P.O. Box 1009
Rocky Hill, CT 06067

Ms. Sandy Barsom
(860) 257- 4001

710 - Delaware

Pennsylvania Higher Education
Assistance Agency
ATTN: Compliance Department
1200 North 7th Street
4th Floor Loan Division
Harrisburg, PA 17102-1398

Ms. Genie Crownover
(800) 443-0646

712 - Florida

Florida Department of Education
Office of Student Financial Assistance
ATTN: Program Compliance Specialist
325 West Gains Street
Collins Building, Room 255
Tallahassee, FL 32399

Ms. Rhonda Forbes
(904) 488-7043

713 - Georgia

Georgia Higher Education Assistance
Corporation
ATTN: Program Administration
2082 East Exchange Place, Suite 200
Tucker, GA 30084-5305

Ms. Carole Jones
(770) 414-3053

716 - Idaho

Northwest Education Loan Association
ATTN: School Compliance Representative
500 Coleman Building
811 1st Avenue, Suite 500
Seattle, WA 98104

Ms. Linda Shannon
(206) 461-5325

717 - Illinois

Illinois Student Assistance Commission
ATTN: Compliance Analyst
1755 Lake Cook Road
Deerfield, IL 60015-5209

Ms. Terry Dallas
(847) 948-8500 ext. 3303

718 - Indiana

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

719 - Iowa

Iowa College Student Aid Commission
ATTN: Associate Director, Finance and
Claims
200 10th Street 4th Floor
Des Moines, IA 50309-3609

Mr. Brian Mohr
(515) 242-6698

721 - Kentucky

Kentucky Higher Education Assistance
Authority
ATTN: Manager, Policy and Client Services
Branch
1050 U.S. 127 South, Suite 102
West Frankfort Office Complex
Frankfort, KY 40601

Ms. Elaine Brumback
(502) 564-2928

722 - Louisiana

Louisiana Office of Student Financial
Assistance
ATTN: Assistant Director, Loan Operation
P.O. Box 91202
Baton Rouge, LA 70821-9202

Ms. Feltus Stewart
(504) 922-2086

723 - Maine

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

724 - Maryland

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

725 - Massachusetts

American Student Assistance
Corporation
ATTN: Cohort Section
P.O. Box 9215
Boston, MA 02116

Ms. Susan Pottern
(800) 999-9080 ext. 4216

726 - Michigan

Michigan Higher Education Assistance
Authority
ATTN: Manager of Audit & Program
Review Unit
P.O. Box 30047; 608 W. Allegan Road
Lansing, MI 48909

Ms. Susan Clinton
(517) 373-0706

727 - Minnesota

Great Lakes Higher Education Guaranty Corporation
ATTN: Compliance Specialist
444 Cedar Street
St. Paul, MN 55101-0102

Ms. Anne Scott
(612) 290-7914

728 - Mississippi

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

729 - Missouri

Coordinating Board for Higher Education
ATTN: Associate for Compliance
3515 Amazonas Drive
Jefferson City, MO 65109-5717

Ms. Barbara Miller
(573) 751-8748

730 - Montana

Montana Guaranteed Student Loan Program
ATTN: Program Specialist
P.O. Box 203101
Helena, MT 59620-3101

Ms. Mary Rehm
(406) 444-0369

731 - Nebraska

Nebraska Student Loan Program
ATTN: Manager, Program Review and Compliance
P.O. Box 82507
Lincoln, NE 68501-2507

Ms. Janey Bailey
(402) 479-6845

732 - Nevada

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

733 - New Hampshire

New Hampshire Higher Education Assistance Foundation
ATTN: Director of Training and Compliance
P.O. Box 877
Concord, NH 03302-0877

Mr. Scott Littlefield
(603) 225-6612 ext. 120

734 - New Jersey

New Jersey Higher Education Assistance Authority
Office of Student Assistance
ATTN: Principal Investigator
P.O. Box 546
Trenton, NJ 08625-0547

Ms. Lee Roach
(609) 588-3238

735 - New Mexico

New Mexico Student Loan Guarantee
Corporation
ATTN: Compliance and Program Review Office
P.O. Box 92230
Albuquerque, NM 87199-2230

Ms. Sarah Branch
(505) 345-8821 ext. 383

736 - New York

New York State Higher Education
Services Corporation
ATTN: Active Student Maintenance
99 Washington Avenue
Albany, NY 12255

Mr. Glenn Meier
(518) 473-1669

737 - North Carolina

North Carolina State Education
Assistance Authority
ATTN: MICRS
P.O. Box 2688
Chapel Hill, NC 27515-2688

Ms. Tamara Jones
(919) 549-8614

738 - North Dakota

Student Loans of North Dakota
ATTN: Agency Manager
P.O. Box 5524
Bismark, ND 58506-5524

Ms. Char Feist
(701) 328-5753

739 - Ohio

Great Lakes Higher Education Guaranty
Corporation
ATTN: Claims and Compliance Manager
P.O. Box 7859
Madison, WI 53707

Ms. Laurie Marty
(608) 246-1536

740 - Oklahoma

Oklahoma State Regents for Higher
Education Guaranteed Student Loan
Oklahoma Guaranteed Student Loan Program
ATTN: Associate Director
P.O. Box 3000
Oklahoma City, OK 73101-3000

Ms. Mary Hyde
(405) 858-4300

741 - Oregon

Oregon State Scholarship Commission
ATTN: Director of Loan Processing
1500 Valley River Drive Suite 100
Eugene, OR 97401

Ms. Shari Wood
(541) 687-7375

742 - Pennsylvania

Pennsylvania Higher Education
Assistance Agency
ATTN: Compliance Department
1200 North 7th Street
4th Floor Loan Division
Harrisburg, PA 17102-1398

Ms. Genie Crownover
(800) 443-0646

744 - Rhode Island

Rhode Island Higher Education
Assistance Authority
ATTN: Cohort Appeals
560 Jefferson Boulevard
Warwick, RI 02886-1320

Mr. Charles Totoro
(401) 736-1180

745 - South Carolina

South Carolina State Education
Assistance Authority
ATTN: Manager for Compliance
Interstate Center, Suite 210
P.O. Box 210219
Columbia, SC 29221

Mr. Mike Fox
(803) 798-7960

746 - South Dakota

Education Assistance Corporation
ATTN: Supervisor for Pre-Claim and
Collections
115 First Avenue S.W.
Aberdeen, SD 57401

Ms. Ellen Welke
(605) 225-6423

747 - Tennessee

Tennessee Student Assistance Corporation
ATTN: School Relations Specialist
404 James Robertson Parkway
Suite 1950 Parkway
Nashville, TN 37243-0820

Mr. Eddie Atkins
(615) 741-1346

748 - Texas

Texas Guaranteed Student Loan
Corporation
ATTN: Compliance Specialist
P.O. Box 201725
Austin, TX 78720-1725

Mr. Ken Johnson
(512) 219-4701

749 - Utah

Utah Higher Education Assistance
Authority
ATTN: Manager of Compliance and Program
Review
P.O. Box 45202
Salt Lake City, UT 84145-0202

Mr. Jed Spencer
(801) 321-7200

750 - Vermont

Vermont Student Assistance Corporation
ATTN: Manager of School Policy and
Compliance
P.O. Box 2000
Winooski, VT 05404-2601

Ms. Marsha Vance
(802) 654-3770

751 - Virginia

Educational Credit Management
Corporation (ECMC)
ECMC Guarantee Servicing
ATTN: Program Compliance Specialist
411 East Franklin Street, Suite 300
Richmond, VA 23219-2243

Ms. Linda Woodley
(888) 775-3262 ext. 8024



753 - Washington

Northwest Educational Loan Association
ATTN: School Compliance Officer
500 Coleman Building
811 1st Avenue, Suite 500
Seattle, WA 98104

Ms. Linda Shannon
(206) 461-5325

755 - Wisconsin

Great Lakes Higher Education Guaranty
Corporation
ATTN: Claims and Compliance Manager
P.O. Box 7859
Madison, WI 53707

Ms. Laurie Marty
(608) 246-1535

772 - Puerto Rico

Great Lakes Higher Education Guaranty
Corporation
ATTN: Claims and Compliance Manager
P.O. Box 7859
Madison, WI 53707

Ms. Laurie Marty
(608) 246-1535

778 - Virgin Islands

Great Lakes Higher Education Guaranty
Corporation
ATTN: Claims and Compliance Manager
P.O. Box 7859
Madison, WI 53707

Ms. Laurie Marty
(608) 246-1535

800 - USA Group Guarantee Services

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

804 - Arizona

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

815 - Hawaii

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

927 & 951- Educational Credit Management Corporation (ECMC)

Educational Credit Management
Corporation (ECMC)
ECMC Guarantee Servicing
ATTN: Program Compliance Specialist
411 East Franklin Street, Suite 300
Richmond, VA 23219-2243

Ms. Linda Woodley
(888) 775-3262 ext. 8024

**American Samoa
(no number code)**

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

**Federated States of Micronesia,
Marshall Islands, Republic of Palau
(no number)**

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

Guam (no number)

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

**Northern Mariana Island
(no number codes)**

USA Group Guarantee Services
ATTN: Ms. Samantha Garrett-Harden
11100 USA Parkway
Fisher, IN 46038

(317) 578-6225

Guaranty Agency Contact List

(Alphabetical)



CONTACTING GUARANTY AGENCIES

The list that follows contains, **in alphabetical order**, the names of states and territories served by guaranty agencies.

The number in parentheses is the three-digit guaranty agency number code found on a school's backup data for each loan record. See page 25 for a list of these three digit codes in numerical order, followed by the names of the guaranty agencies represented by the codes, their addresses, telephone number and contacts.

Alabama (701)

Connecticut (709)

Alaska (702)

Delaware (710)

**American Samoa
(no number code)**

District of Columbia (611)

Arizona (804)

**Educational Credit Management
Corporation/ECMC (927 & 951)**

Arkansas (705)

**Federated States of Micronesia,
Marshall Islands, Republic of
Palau (no number code)**

California (706)

Florida (712)

Colorado (708)

Georgia (713)

Guam (no number code)	Mississippi (728)
Hawaii (815)	Missouri (729)
Higher Education Assistance Foundation/HEAF (627 or 631)	Montana (730)
Idaho (716)	Nebraska (731)
Illinois (717)	Nevada (732)
Indiana (718)	New Hampshire (733)
Iowa (719)	New Jersey (734)
Kansas (620)	New Mexico (735)
Kentucky (721)	New York (736)
Louisiana (722)	North Carolina (737)
Maine (723)	North Dakota (738)
Maryland (724)	Northern Mariana Islands (no number code)
Massachusetts (725)	Ohio (739)
Michigan (726)	Oklahoma (740)
Minnesota (727)	Oregon (741)

Pennsylvania (742)

West Virginia (654)

Puerto Rico (772)

Wisconsin (755)

Rhode Island (744)

Wyoming (656)

South Carolina (745)

South Dakota (746)

Tennessee (747)

Texas (748)

**Transitional Guaranty
Agency/TGA (927)**

**U.S. Department of Education
(555)**

**USA Group Guarantee
Services (800)**

Utah (749)

Vermont (750)

Virgin Islands (778)

Virginia (751)

Washington (753)

Direct Loan Servicing Center Contact List



CONTACTING THE DIRECT LOAN SERVICING CENTER

Direct Loan Servicing Center (0101)

U.S. Department of Education
Direct Loan Servicing Center
ATTN: School Services
501 Bleeker Street
Utica, New York 13501

(888) 877-7658

NOTE: When submitting a challenge,
a Direct Loan school **MUST** use its
OPE ID number, **NOT** its Direct
Loan school ID number.

U.S. Department of Education Contacts

If you...

Have questions about cohort default rate appeals and general cohort default rate issues.

Contact...

If using commercial overnight mail/courier delivery, send your request to:

U.S. Department of Education
Default Management Division (DMD)
Portals Building, Room 6300
1250 Maryland Avenue, SW
Washington, DC 20024

For entry into the suite for delivery, call
(202) 708-6048

If using the U.S. Postal Service, send your request to:

U.S. Department of Education
Default Management Division (DMD)
Portals Building, Room 6300
600 Independence Avenue, SW
Washington, DC 20202-5353

By telephone:

Call (202) 708-6048

U.S. Department of Education Contacts

If you...

Need copies of the Department's regulations, "Dear Colleague" letters, or other student aid publications

Have questions about collection of individual defaulted loans assigned to the Department

Need information on lender or guaranty agency cohort default rates

Have questions about recertification, audit resolution, financial analysis, program review, and/or institution improvement

Contact

U.S. Department of Education
Federal Student Aid
Information Center
PO Box 84
Washington, DC 20044-0084

(800) 433-3243

OR

Internet Site: www.ed.gov

U.S. Department of Education
Debt Collection Service (DCS)
Washington Service Center
ROB-3, Room 5118
600 Independence Avenue, SW
Washington, DC 20202-5320

(800) 621-3115

U.S. Department of Education
Guarantor and Lender Oversight
Service (GLOS)
ROB-3, Room 4616
600 Independence Avenue, SW
Washington, DC 20202-5138
(202) 401-7482

U.S. Department of Education
Institutional Participation and Oversight
Service (IPOS)
ROB-3, Room 3905
600 Independence Avenue, SW
Washington, DC 20202-5340
(202) 205-0183

Useful Information



ACRONYMS & ABBREVIATIONS

Page 45

FREQUENTLY ASKED QUESTIONS

Page 47

Acronyms and Abbreviations



These shortened forms are used throughout this guide and during the draft data review process.

BCD	Beginning Class Date	LTH	Less-Than-Half-Time
BUD	Backup Data	LS&T	Limitation, Suspension, or Termination
CDR	Cohort Default Rate	NSLDS	National Student Loan Data System
DD	Default Date	OSD	Out of School Date
DER	Date Entered Repayment	SLS	Supplemental Loan for Students
DF	Default	SSCR	Student Status Confirmation Report
DL	Direct Loan	SSL	Subsidized Stafford Loan
DLS	Direct Loan Servicer	Staff	Stafford
DMD	Default Management Division	SL	Stafford Loan
ECD	Ending Class Date	SF	Stafford
FFEL	Federal Family Education Loan		
FDLP	Federal Direct Loan Program		
GA	Guaranty Agency		
ICR	Income Contingent Repayment		
ICRD	Income Contingent Repayment Date		
LDA	Last Day of Attendance		

Note
For loan status codes used in the Loan Record Detail Report (Backup Data), see page 14

Frequently Asked Questions

Below are a sample of questions that are often presented to the Default Management Division.

Backup Data

Will my school get a revised backup data report prior to receiving my official cohort default rate? No. The corrected data will be electronically submitted to NSLDS by the relevant GA and/or DLSC. These changes should be reflected in your official backup data which will be sent to you with your official cohort default rate.

Why doesn't the cohort default rate notification letter indicate what my cohort default rate is? If your school's notification letter does not indicate what your draft cohort default rate is, then your school can turn to the last page of the backup data which contains a numerator and denominator count and an actual draft cohort default rate for your school. Please see page 9 for an overview of the backup data report.

Calculations

Can the same borrower be counted in two different cohort periods, for example the 1993 and 1994 cohort periods? The same borrower can only

appear in 1993 and 1994 cohort periods if the borrower has two separate loans and the repayment dates of those two separate loans fall into separate fiscal years. However, the same loan cannot be used in more than one fiscal year.

If a student takes out loans while attending College A and immediately transfers to College B where the student takes out additional loans, how do these loans figure into the cohort default rate calculations for the two schools?

The loans obtained while attending College A are included in College A's cohort default rate and the loans obtained while attending College B are included in College B's cohort default rate.

Timing

If the GA and/or DLSC agrees that a change must be made to the draft cohort default rate data, when will the backup data be corrected? The backup data will be corrected when the GA and/or DLSC provides updated information to NSLDS. These changes will then be reflected in the official cohort default rate.

The GA and/or DLSC claims that my challenge to the draft data was received after the thirty day deadline. Do I have any recourse?

No, unless your school can prove that the GA and/or DLSC received the challenge within the 30 day time frame. See 34 CFR § 668.17(j).

Challenges

Can a school with a three-year average cohort default rate challenge previous year's data during the draft data review process, since that data will be part of the school's official cohort default rate? No. A school can only challenge the most recent fiscal year's data.

Should a school send a copy of its draft data challenge to the Department? No. Schools should NOT send copies of their challenges to the Department, unless the loan being challenged is an FFEL loan which is currently held by the Department. Schools should submit their challenges directly to the appropriate GA and/or DLSC. The GA and/or DLSC will forward copies of their responses to the school and the Department. If you incorrectly submit your challenge to the Department, it will **NOT** be reviewed and **your school could miss the deadline for challenging the data with the appropriate GAs and/or DLSC.**

If a school and GA disagree on certain challenges, can the school appeal to the Department during the draft data review process? No.

If a school disagrees with the GA and/or DLSC response during the draft data review process, after the release of the **official** cohort default rates, schools that are subject to the loss of FFEL and/or DL Program eligibility and/or limitation, suspension and termination (LS&T) of all Title IV Student Financial Aid Programs may file an erroneous data appeal on the basis of disputed data.

Can a school with a cohort default rate under 25.0% challenge draft data? Yes. All schools, regardless of draft cohort default rate, may challenge the draft backup data.

If my school cannot send its draft data challenge within 30 days of receiving the backup data, may it get an extension? No. The time frames are established by regulations and there are no exceptions. See 34 CFR § 668.17(j).

Can a GA or DLSC deny my challenge(s) because I forgot to provide backup data? The GA or DLSC should give a school five (5) working days from receipt of the school's challenge to provide the missing backup data. If after the five working days the school has failed to submit the backup data, the GA or DLSC may deny the challenge(s).

Participation

How does my school officially withdraw from participation in the DL/FFEL Program? If your school wishes to withdraw from the FFEL Program, your school should contact the appropriate Department of Education Case Management Team. The Case Management telephone number is (202) 205-0183 or (202) 401-3628. If your school wishes to withdraw from the DL Program, your school should contact the Direct Loan Task Force at (202) 708-9951.

My school received draft backup data but has officially withdrawn from the DL/FFEL Program. Should I participate in the draft data review process? All schools who have loans entering repayment in a given fiscal year will receive draft data information and are eligible to participate in the draft data review process to correct errors. It is important to participate in the draft data review process because your school will not be given another chance to challenge and correct these errors and your school may be subject to an LS&T action to terminate your participation in all Title IV Student Financial Aid Programs if your school's official cohort default rate is greater than 40.0% for any fiscal year.

What happens if I do not agree with the eligibility or the participation status shown for my school? Contact your appropriate Department of Education Case Management Team. The Case

Management telephone number is (202) 205-0183 or (202) 401-3628.

Consolidation

A student had several loans that entered repayment and defaulted in FY 1996. The student consolidated the defaulted loans in FY 1996 and never defaulted on the consolidation loan. How are these loans counted in the cohort default rate calculation? The borrower is counted once in the numerator and once in the denominator of the FY 1996 cohort default rate. The fact that the consolidation loan never defaulted DOES NOT affect the manner in which the original loans are counted.

A student had several loans that entered repayment in FY 1996. The student continued to make scheduled payments on the loans and obtained a consolidation loan in FY 1997. The student defaulted on the consolidation loan before the end of FY 1997. How are these loans counted in the cohort default rate calculation? Because the consolidation loan defaulted within the cohort period in which the original loans entered repayment, the borrower is counted once in the numerator and once in the denominator of the FY 1996 cohort default rate calculation for each school that certified or originated one of the underlying loans.

A student entered repayment on several loans in FY 1996 and continued to make the scheduled payments. The student obtained a consolidation loan in FY 1997 and defaulted on the consolidation loan in FY 1998. How are the loans counted in the cohort default rate calculation? Because the original loans entered repayment in FY 1996 and the borrower did not default on the consolidation loan until FY 1998, which is outside the 1996 cohort period, the borrower is counted only in the denominator of the FY 1996 calculation and is not included in the FY 1997 or FY 1998 calculations.

Draft Cohort Default Rates

Are there sanctions associated with draft cohort default rates? There are no consequences associated with the **draft** cohort default rates. However, there are consequences associated with **official** cohort default rates that are released by the Department approximately six months after the release of the draft cohort default rates. Please see page ii of the "Introduction" section for a list of sanctions associated with official cohort default rates.

Official Cohort Default Rates

What should I do if the changes agreed to by the GA and/or DLSC are not reflected in the official cohort default rate? Within 10 working days of receiving the official backup data, you may file an "Adjustment Request" with the Department. Detailed information on how to file an "Adjustment Request" will be provided in the *FY 1996 Official Cohort Default Rate Guide*.

If my school does not challenge any errors during the draft data review process, can I expect my official cohort default rate to be the same as my draft cohort default rate?

No. Because NSLDS is updated with new information from several sources, your school's official backup data may be different from your school's draft backup data.

What are the requirements and deadlines for submitting official cohort rate appeals? The appeal process for official cohort default rates will be described in detail in the *FY 1996 Official Cohort Default Rate Guide*. You may also review the requirements in 34 CFR § 668.17.



U.S. Department of Education
Washington, DC 20202



U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement (OERI)
Educational Resources Information Center (ERIC)



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