

Summary of Changes Approved through July 2015

This summary lists changes made since the 2014 Annual Update of the *Common Manual*.
 Following are the latest policy changes, which were approved July 16, 2015.
 Changes made before the 2014 Annual Update are noted in Appendix H.

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
Chapter 4: School Participation			
4.2 Administrative Capability Standards	<p>Revised policy removes information pertaining to the two-year cohort default rate (CDR) and the transition to a three-year rate. Revised policy also:</p> <ul style="list-style-type: none"> • Clarifies that, as part of a school's administrative capability standards, the school's CDR must be less than 30% for two of the three most recent fiscal years and must not exceed 15% for Perkins Loans. A school with a single-year CDR of 30% or greater will be required to establish a default prevention task force. A school with CDRs of 30% or greater for two consecutive years must revise its default prevention plan to implement additional default aversion measures, and could also be subject to provisional certification. • Provides that, beginning in 2014 with the publication of the fiscal year 2011 three-year CDR, a school may also raise a Participation Rate Index (PRI) challenge or appeal if its three-year CDR equals or exceeds 30% for two of the three most recent fiscal years for which rates have been calculated and the school's PRI in either of those fiscal years is less than or equal to 0.0625, in order to avoid placement on provisional certification. • Deletes obsolete CDR exemptions for Historically Black Colleges and Universities (HBCUs), tribally controlled community colleges, and Navajo community colleges. • Deletes obsolete language which provided that the definition of default also includes student borrowers with FDLP loans from proprietary non-degree-granting schools that are in repayment for at least 360 days under the income-contingent repayment plan with scheduled payments that are less than \$15 per month and less than the interest accruing on the loan. 	<p>Removal of the two-year CDR information effective as of the publication of the official cohort default rates on September 15, 2014.</p> <p>Removal of exemptions from loss of eligibility due to excess CDRs for Historically Black Colleges and Universities (HBCUs), tribally controlled community colleges and Navajo community colleges effective October 29, 2009.</p> <p>Removal of the provision that included certain Direct Loan ICR borrowers in the numerator of a for-profit, non-degree institution's CDR effective November 1, 2002.</p>	1308/203

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
Chapter 5: Borrower Eligibility			
5.5.A Prior Loan or TEACH Grant Service Obligation in a Post-Discharge Monitoring Period Based on a Determination of Total and Permanent Disability Figure 5-1 Effect of Title IV Loan Status on Student Aid Eligibility	This change is necessary to eliminate all references to the conditional discharge period for loans discharged for total and permanent disability. No FFELP loans are still monitored under conditional discharge rules. All total and permanent disability discharge applicants are eligible for the post-discharge monitoring period rules for applications received on or after July 1, 2010.	Total and permanent disability discharge applications received on or after July 1, 2010.	1307/202
Chapter 6: School Certification			
6.15 School Certification of the Loan	This change is necessary to eliminate all references to the conditional discharge period for loans discharged for total and permanent disability. No FFELP loans are still monitored under conditional discharge rules. All total and permanent disability discharge applicants are eligible for the post-discharge monitoring period rules for applications received on or after July 1, 2010.	Total and permanent disability discharge applications received on or after July 1, 2010.	1307/202
Chapter 8: Loan Delivery			
8.7 Delivering Loan Funds at Eligible Schools	This change is necessary to eliminate all references to the conditional discharge period for loans discharged for total and permanent disability. No FFELP loans are still monitored under conditional discharge rules. All total and permanent disability discharge applicants are eligible for the post-discharge monitoring period rules for applications received on or after July 1, 2010.	Total and permanent disability discharge applications received on or after July 1, 2010.	1307/202
Chapter 11: Deferment and Forbearance			
11.1.A General Deferment Eligibility Criteria	This change is necessary to eliminate all references to the conditional discharge period for loans discharged for total and permanent disability. No FFELP loans are still monitored under conditional discharge rules. All total and permanent disability discharge applicants are eligible for the post-discharge monitoring period rules for applications received on or after July 1, 2010.	Total and permanent disability discharge applications received on or after July 1, 2010.	1307/202
11.20.F Forbearance of a Loan for a Comaker during the TPD Conditional Period 11.21.S Total and Permanent Disability	This change is necessary to eliminate all references to the conditional discharge period for loans discharged for total and permanent disability. No FFELP loans are still monitored under conditional discharge rules. All total and permanent disability discharge applicants are eligible for the post-discharge monitoring period rules for applications received on or after July 1, 2010.	Total and permanent disability discharge applications received on or after July 1, 2010.	1307/202
Chapter 13: Claim Filing, Discharge, and Forgiveness			
13.8.G Total and Permanent Disability	This change is necessary to eliminate all references to the conditional discharge period for loans discharged for total and permanent disability. No FFELP loans are still monitored under conditional discharge rules. All total and permanent disability discharge applicants are eligible for the post-discharge monitoring period rules for applications received on or after July 1, 2010.	Total and permanent disability discharge applications received on or after July 1, 2010.	1307/202

Common Manual Section	Description of Change	Effective Date/Triggering Event	Policy/Batch
Chapter 16: Cohort Default Rates and Appeals			
16.1 Overview of Cohort Default Rates and Terminology	<p>Revised policy removes information pertaining to the two-year cohort default rate (CDR) and the transition to a three-year rate. Revised policy also:</p> <ul style="list-style-type: none"> Clarifies that, as part of a school's administrative capability standards, the school's CDR must be less than 30% for two of the three most recent fiscal years and must not exceed 15% for Perkins Loans. A school with a single-year CDR of 30% or greater will be required to establish a default prevention task force. A school with CDRs of 30% or greater for two consecutive years must revise its default prevention plan to implement additional default aversion measures, and could also be subject to provisional certification. Provides that, beginning in 2014 with the publication of the fiscal year 2011 three-year CDR, a school may also raise a Participation Rate Index (PRI) challenge or appeal if its three-year CDR equals or exceeds 30% for two of the three most recent fiscal years for which rates have been calculated and the school's PRI in either of those fiscal years is less than or equal to 0.0625, in order to avoid placement on provisional certification. Deletes obsolete CDR exemptions for Historically Black Colleges and Universities (HBCUs), tribally controlled community colleges, and Navajo community colleges. Deletes obsolete language which provided that the definition of default also includes student borrowers with FDLP loans from proprietary non-degree-granting schools that are in repayment for at least 360 days under the income-contingent repayment plan with scheduled payments that are less than \$15 per month and less than the interest accruing on the loan. 	Removal of the two-year CDR information effective as of the publication of the official cohort default rates on September 15, 2014.	1308/203
16.2 Calculation of School Cohort Default Rates		Removal of exemptions from loss of eligibility due to excess CDRs for Historically Black Colleges and Universities (HBCUs), tribally controlled community colleges and Navajo community colleges effective October 29, 2009.	
16.3 School Draft Cohort Default Rates and Challenges		Removal of the provision that included certain Direct Loan ICR borrowers in the numerator of a for-profit, non-degree institution's CDR effective November 1, 2002.	
16.4 School Official Cohort Default Rates, Adjustments, and Appeals			
16.4.B School Appeals			
16.5 Consequences of High Official Cohort Default Rates for Schools			
Appendix A: Interest Benefits and Special Allowance			
Figure A-5 LaRS Special Allowance and Interest Rate Reporting for FFELP Loans	The National Council of Higher Education Resources (NCHER) Program Regulations Committee has provided an updated version of its LaRS Special Allowance and Interest Rate Reporting for FFELP Loans chart for inclusion in the Manual. This version is dated August 2014, and contains statutory changes made to special allowance codes as a result of the Consolidated Appropriations Act of 2012.	For special exceptions for certain loans first disbursed on or after April 1, 2006, and before July 1, 2010.	1306/201

- The school must establish and publish reasonable standards for determining whether an otherwise eligible student is making [satisfactory academic progress \(SAP\)](#) in his or her educational program and is eligible to receive Title IV aid. These standards must, at a minimum, conform to the standards detailed in the federal regulations. See [Section 8.4](#) for more details. [[§668.16\(e\)](#); [§668.34\(a\)](#)]
- The school must provide required program and fiscal reports in a timely manner.
- The school must show no evidence of significant problems as determined in a [program review](#).
- The [school](#) must participate in the electronic processes that the [Department](#) provides at no substantial charge to the school. These processes will be identified in notices published in the *Federal Register*. The Department expects to provide these notices annually. Schools are not restricted to using only software and services provided by the Department. [[§668.16\(e\)](#); [§668.34\(a\)](#); [§682.203\(a\)](#)]
- The school's [cohort default rate](#):
 - ~~Must be less than 25% for each of the three most recent fiscal years for which two year rates have been issued.~~
 - ~~Beginning in 2014, m~~Must be less than 30% for at least two of the three most recent fiscal years for which ED has issued rates for the institution~~three year rates have been issued.~~
 - Must not exceed 15% for [Perkins loans](#). [[HEA §435\(a\)\(2\)](#); [§668.16\(m\)](#)]¹
- A school must annually report to the Department the amount of any reasonable expenses that were paid or provided by a private education loan lender or group of lenders to an [agent](#) of the school with responsibilities for financial aid. The school must report all of the following:
 - The amount for each specific instance of reasonable expenses paid or provided. See [Subsection 4.1.F](#) for more information about the standards for determining reasonable expenses.
- The name of the agent with responsibilities for financial aid to whom the expenses were paid or provided.
- The dates of each activity for which the expenses were paid or provided.
- A brief description of each activity for which the expenses were paid or provided. [[§668.16\(d\)\(1\)](#) and (2)]
- The school must establish and maintain records required under [34 CFR Part 668 \(General Provisions\)](#) and as required for each Title IV program.
- A school must develop and follow procedures to evaluate the validity of a student's high school completion if the school or the Department has reason to believe that the student's high school diploma is not valid or the student obtained a diploma from an entity that does not provide secondary school education. This requirement does not apply to a student who receives a secondary education in a home school setting that is treated as a home or private school under applicable state law. [[§668.16\(p\)](#); *Federal Register* dated October 29, 2010, p. 66888]

4.2.A Financial Aid Administrator Responsibilities

A capable [financial aid administrator \(FAA\)](#) makes effective use of the various types of financial assistance (federal, institutional, [state](#), private) available to the school's students. An [FAA's](#) other responsibilities include:

- Ensuring that the Federal Stafford and PLUS Loan Programs at the school are administered according to federal regulations and [guarantor](#) policies.
- Ensuring that each [borrower](#) receives adequate financial aid and debt management counseling.
- Ensuring that each student's need-based financial aid does not exceed the student's need.
- Ensuring that each student's [financial aid package](#) does not exceed the student's [cost of attendance](#). [[§682.603\(e\)\(2\)](#)]

To fulfill his or her responsibilities, an FAA must communicate effectively with other school offices (such as the admissions office, the bursar's office, and the veterans

¹ Policy 1308 (Batch 203), approved July 16, 2015

Chapter 16 provides an overview of the annual [cohort default rates](#) calculated by the [Department](#) for schools, lenders, and holders participating in the [FFELP](#). [Section 16.1](#) includes an overview of the cohort default rate process and definitions applicable to cohort default rates. [Sections 16.2](#) through [16.5](#) cover in more detail default rate calculations; the process by which schools can challenge a draft cohort default rate, request an adjustment to an official cohort default rate, or appeal an official cohort default rate; and the consequences of official cohort default rates. The last section of this chapter, [Section 16.6](#), addresses FFELP cohort default rates and appeals for lenders and holders.

Unless otherwise noted, each reference in the Manual to the cohort default rate pertains to the FFELP cohort default rate or the [dual-program cohort default rate](#), as applicable.

16.1 Overview of Cohort Default Rates and Terminology

FFELP cohort default rates—and a series of increasingly stringent school requirements and limitations based on those rates—were added to federal regulations in 1989. These provisions were introduced to reduce the overall default rate in the federal student loan programs. FFELP cohort default rates for lenders and loan holders were introduced in the 1992 Reauthorization of the Higher Education Act of 1965, as amended. In addition, default rate provisions were expanded in the Omnibus Budget Reconciliation Act of 1993. The dual-program cohort default rate was implemented July 1, 1996, for schools with borrowers entering repayment in both the FFELP and [FDLP](#). (See [Section 16.3](#)) A provision in the [Higher Education Opportunity Act of 2008 \(HEOA\)](#) changed the cohort default rate formula by expanding the cohort default period from a two-year period to a three-year period beginning with fiscal year 2009. ~~Until there are three years of three-year rates, there will be a transition period during which schools will receive both two-year and three-year rates. Sanctions based on a high cohort default rate during this period will be based on a school's official two-year rate. Beginning with the publication of the official cohort default rates in calendar year 2014, the Department will use the three-year measure to impose penalties on schools that have high cohort default rates.~~

[§668.206]¹

A school with a low official cohort default rate may qualify for specific regulatory exemptions, such as more flexible [disbursement](#) requirements. A school with persistently or

excessively high official cohort default rates may lose FDLP eligibility and may also become ineligible to participate in the [Federal Pell Grant](#) Program.

A school may challenge its draft cohort default rate, and may, in some cases, appeal or request an adjustment to its official cohort default rate. Detailed parameters for challenges, appeals, and adjustment requests are defined in federal regulations ([subparts M](#) and [N](#) of §668) and the Department's [Cohort Default Rate Guide](#), and are also outlined in [Sections 16.3](#) and [16.4](#) of this Manual.

Cohort Default Rate Terminology

Following are terms used throughout this chapter, defined solely as they pertain to cohort default rates:

- *Cohort*: The group of borrowers who enter repayment during the fiscal year for which the rate is calculated which is used to determine the default rate. [[§668.201\(a\)](#)]
- *Cohort default rate notification*: The process by which the Department notifies a school of its draft and official cohort default rates. The Department notifies a school of its cohort default rates as follows:
 - The Department uses an electronic cohort default rate (eCDR) process through the Student Aid Internet Gateway (SAIG) to notify a domestic school of its cohort default rates. All domestic schools must designate a SAIG destination point that will receive the school's eCDR notification packages. The designation of the eCDR destination point must be conducted through the SAIG enrollment process.
 - The Department notifies a [foreign school](#) of its cohort default rates via mail. Starting with the official FY 2008 cohort default rate cycle in September 2010, the Department will exclusively transmit the CDR notification electronically. [[Cohort Default Rate Guide](#)]
- *Days*: For all cohort default rate rules, days mean calendar days. [[§668.201\(c\)](#)]
- *Default*: A FFELP borrower is considered “in default” if the borrower defaults on a loan for which the [claim](#) is paid by the [guarantor](#) before the end of the fiscal year following the fiscal year in which the borrower entered repayment on the loan. For an FDLP borrower, default is defined under the parameters of that program. If a

¹ Policy 1308 (Batch 203), approved July 16, 2015

16.2 Calculation of School Cohort Default Rates

~~A cohort default rate is defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who default on those loans before the end of the same or following fiscal year.~~

~~Beginning with fiscal year 2009, a~~ A cohort default rate is defined as the percentage of a school's student borrowers who enter repayment during a specific fiscal year on certain FFELP or FDLP loans and who default on those loans before the end of the second fiscal year following the fiscal year in which the borrower entered repayment (see [Section 16.1](#)). This includes borrowers who borrow any of the following types of loans:

- A Federal Stafford loan, Federal SLS loan, or Direct Stafford loan.
- The portion of a Federal Consolidation loan or Federal Direct Consolidation loan used to repay a Federal Stafford loan, Federal SLS loan, or Direct Stafford loan.

[\[§668.202\(c\)\(1\)\(iv\)\]](#)

A [TEACH grant](#) that has been converted to an unsubsidized Direct Stafford loan is not considered for the purpose of calculating a school's cohort default rate.

[\[§668.202\(b\)\(3\)\]](#)

A FFELP cohort default rate is calculated for each school participating in the FFELP or FDLP at the beginning of the fiscal year, whether or not the school actually had student borrowers entering repayment on Stafford or SLS loans during that fiscal year.

~~An official cohort default rate is calculated for a school according to the formulas that follow in Figure 16-1 until fiscal year 2009. Formula A is used for schools that had thirty or more student borrowers who entered repayment during the fiscal year for which the rate is being calculated. Formula B is used for schools that had fewer than thirty student borrowers who entered repayment during the fiscal year for which the rate is being calculated. A draft cohort default rate is calculated for a school based on one year of data (using Formula A), even if the official cohort default rate for the school will be calculated based on several years of data (using Formula B).~~

~~[Cohort Default Rate Guide]~~

~~Beginning with fiscal year 2009, The Department calculates an official cohort default rate will be calculated for a school according to the formulas that follow in Figure 16-1. Formula A will be used for applies to schools that had 30 thirty or more student borrowers who entered repayment during the fiscal year for which the rate is being calculated. Formula B will be used for applies to schools that had fewer than 30 thirty student borrowers who entered repayment during the fiscal year for which the rate is being calculated.~~ [\[HEA §435\(m\); §668.202\(d\); DCL GEN-08-12/FP-08-10\]](#)

A [dual-program cohort default rate](#) is calculated when a school has student borrowers who entered repayment on both FFELP and FDLP loans in the same fiscal year. Although the same basic formulas are used to calculate FFELP, FDLP, and dual-program cohort default rates, slightly different definitions of default are used to determine which FFELP and FDLP student borrowers are included in the numerator of the formulas. For all schools, a FFELP loan is considered to be in default on the date the [guarantor](#) pays a default [claim](#), and a FDLP loan (or a [FFELP loan that has been purchased by the Department](#)) is considered to be in default after 360 days of [delinquency](#). ~~For proprietary non-degree granting schools only, the definition of default also includes student borrowers with FDLP loans that are in repayment for at least 360 days under the income contingent repayment plan with scheduled payments that are less than \$15 per month and less than the interest accruing on the loan.~~ These conditions must have occurred before the end of the second fiscal year following the year in which the loan entered repayment. [\[§668.202\(c\)\(1\)\(i\) and \(ii\); Cohort Default Rate Guide, September 2014, p. 2.1-8\]](#)

In some cases, the [Department](#) calculates an “unofficial cohort default rate” for a school. An “unofficial rate” is applicable if a school had fewer than 30 thirty borrowers who entered repayment during the fiscal year for which the rate is being calculated, and no cohort default rate was calculated by the Department for the school for either or both of the two previous fiscal years. An “unofficial cohort default rate” cannot be used to determine sanctions or benefits for a school because it does not meet the definition of an official cohort default rate.

[\[Cohort Default Rate Guide\]](#)¹

¹ Policy 1308 (Batch 203), approved July 16, 2015

Cohort Default Rate Formulas**Figure 16-1****FORMULA A: Schools with Thirty or More Student Borrowers Who Entered Repayment**

Number of student borrowers who entered repayment during the specified fiscal year and defaulted before the end of that fiscal year or the subsequent fiscal year

$$\frac{\quad}{\quad} \times 100$$

Number of student borrowers who entered repayment during the specified fiscal year

[§668.183(d)(1)]

Example

Student borrowers who entered repayment from October 1, 2005, through September 30, 2006 (inclusive), will be included in the denominator of the cohort default rate calculation for federal fiscal year 2006. If any of those student borrowers' loans defaulted by the end of the next fiscal year (September 30, 2007), those student borrowers will be included in the numerator. Student borrowers who entered repayment during fiscal year 2006, but who defaulted after September 30, 2007, will only be included in the denominator of the formula for the fiscal year 2006 default rate calculation.

FORMULA B: Schools with Fewer Than Thirty Student Borrowers Who Entered Repayment

Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years and who defaulted before the end of the fiscal year immediately following the fiscal year in which the borrower entered repayment

$$\frac{\quad}{\quad} \times 100$$

Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years

[§668.183(d)(2)]

Example

For calculating the federal fiscal year 2006 cohort default rate, the following periods are included:

<i>Borrower Entered Repayment</i>	<i>Borrower Defaulted on or Before</i>
10/01/03 — 9/30/04	9/30/05
10/01/04 — 9/30/05	9/30/06
10/01/05 — 9/30/06	9/30/07

Student borrowers who entered repayment during these periods are included in the denominator of the formula. Student borrowers who subsequently defaulted in the periods specified above are included in the numerator.¹

¹ Policy 1308 (Batch 203), approved July 16, 2015

Cohort Default Rate Formulas—Beginning with Fiscal Year 2009 Figure 16-2 Figure 16-1

FORMULA A: Schools with 30 ~~Thirty~~ or More Student Borrowers Who Entered Repayment

$$\frac{\text{Number of student borrowers who entered repayment during the specified fiscal year and defaulted before the end of the second fiscal year following the fiscal year in which the borrower entered repayment}}{\text{Number of student borrowers who entered repayment during the specified fiscal year}} \times 100$$

Example

Student borrowers who entered repayment from October 1, ~~2008~~2011, through September 30, ~~2009~~2012 (inclusive), will be included in the denominator of the cohort default rate calculation for federal fiscal year ~~2009~~2012. If any of those student borrowers' loans defaulted between October 1, ~~2008~~2011, and September 30, ~~2011~~2014, those student borrowers will be included in the numerator. Student borrowers who entered repayment during fiscal year ~~2009~~2012, but who defaulted after September 30, ~~2011~~2014, will only be included in the denominator of the formula for the fiscal year ~~2009~~2012 cohort default rate calculation.

FORMULA B: Schools with Fewer Than 30 ~~Thirty~~ Student Borrowers Who Entered Repayment

$$\frac{\text{Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years and who defaulted before the end of the second fiscal year following the fiscal year in which the borrower entered repayment}}{\text{Number of student borrowers who entered repayment during the specified fiscal year and the previous two fiscal years}} \times 100$$

[\[§668.183\(d\)\(2\)\]](#)

Example

For calculating the federal fiscal year ~~2009~~2012 cohort default rate, the following periods are applicable:

<i>Borrower Entered Repayment</i>	<i>Borrower Defaulted on or Before</i>
10/01/ 06 09 – 9/30/ 07 10	9/30/ 09 12
10/01/ 07 10 – 9/30/ 08 11	9/30/ 10 13
10/01/ 08 11 – 9/30/ 09 12	9/30/ 11 14

Student borrowers who entered repayment during these periods are included in the denominator of the formula. Student borrowers who subsequently defaulted in the periods specified above are included in the numerator.¹

¹ Policy 1308 (Batch 203), approved July 16, 2015

Determining the Denominator

The denominator is the number of student borrowers who entered repayment during a fiscal year. This is determined by counting the number of different **Social Security numbers** present in all of the loan records for student borrowers who entered repayment on Federal Stafford or Federal SLS loans during that fiscal year. If a school had fewer than thirty borrowers who entered repayment in the fiscal year for which the rate is being calculated, the **Department** also identifies the borrowers in the cohorts for the two most recent prior fiscal years for inclusion in the current-year cohort calculation.

[§668.202(a) and (b)]

There are several points to note about the calculation regarding student borrowers with multiple loans:

- A student borrower with two or more loans that entered repayment during the same fiscal year will be counted only once in a school's denominator.
- A student borrower with multiple loans that entered repayment in more than one fiscal year will be included in the **cohort default rate** calculation for each fiscal year in which the loans entered repayment.

[§668.202(b)(2)]

- A student borrower with two or more loans that entered repayment during a single fiscal year will be counted in more than one cohort default rate calculation only if he or she borrowed those loans to attend more than one school, and those loans entered repayment during the same fiscal year. Such a borrower's loans (and his or her subsequent repayment or **default** on those loans) are attributed to the school at which the borrower received the loan that entered repayment.

[§668.202(b)(2); *Cohort Default Rate Guide*]

For a student borrower whose loan was fully discharged due to death, disability, **bankruptcy**, unpaid **refund**, or teacher loan **forgiveness** provisions *prior* to the loan entering repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the date on which the **guarantor** paid the applicable **claim** or discharged the loan. The borrower will not be included in the numerator because the borrower did not default. For a student borrower whose loan was fully discharged for these same reasons *after* the loan entered repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment. The borrower will not be included in the numerator because the borrower did not default. If the borrower's loan was discharged due to school closure, false

certification, or identity theft, the borrower is not included in the cohort default rate calculation.

[*Cohort Default Rate Guide*]

If a student borrower paid a loan in full before the loan would otherwise have entered repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the fiscal year in which the borrower paid the loan in full. If a student borrower requested and began repayment of a loan before the date on which the loan was scheduled to enter repayment, the borrower will be included in the denominator of the cohort default rate calculation based on the fiscal year in which the early repayment began.

[*Cohort Default Rate Guide*]

Determining the Numerator

~~The numerator equals the number of student borrowers in the denominator who defaulted on any Federal Stafford, Federal SLS, or Federal Consolidation loan during the same fiscal year in which the loan or underlying loan entered repayment or during the following fiscal year. If a school had fewer than thirty borrowers who entered repayment during the fiscal year for which the cohort rate is being calculated, the Department identifies the school's student borrowers who entered repayment during the specified fiscal year and the two most recent prior fiscal years and who defaulted before the end of the fiscal year immediately following the fiscal year in which those borrowers entered repayment for inclusion in the numerator of the calculation for the specified year.~~

~~[§668.183(e)]~~

~~Beginning with fiscal year 2009, the numerator will equal the number of student borrowers in the denominator who defaulted on any Federal Stafford, Federal SLS, or Federal Consolidation loan before the end of the second fiscal year following the fiscal year in which the loan or underlying loan entered repayment. If a school had fewer than 30 ~~thirty~~ borrowers who entered repayment during the fiscal year for which the cohort default rate is being calculated, the Department identifies the school's student borrowers who entered repayment during the specified fiscal year and the two most recent prior fiscal years and who defaulted before the end of the second fiscal year following the fiscal year in which the loan or underlying loan entered repayment for inclusion in the numerator of the calculation for the specified year.~~

~~[HEA §435(m); §668.202(a)(2); DCL GEN-08-12/FP-08-10]¹~~

¹ Policy 1308 (Batch 203), approved July 16, 2015

There are several points to note about the calculation regarding student borrowers with multiple loans:

- A student borrower who entered repayment during the same fiscal year on two or more loans that were borrowed to attend the same school, and then defaulted on those loans within the applicable time frame specified above, will be counted only once in the numerator.
- A student borrower who defaulted within the applicable time frame on two or more loans that were borrowed to attend the same school and that entered repayment in different fiscal years will be included in the numerators of the school's [cohort default rate](#) calculations for each of the fiscal years in which the loans entered repayment.
- A student borrower who defaulted within the applicable time frame on two or more loans that were borrowed to attend more than one school and that entered repayment during a single fiscal year will be included in the numerators of that year's [cohort default rate](#) calculations for each school at which the borrower obtained those loans and defaulted. [[§668.202\(b\)\(2\)](#)]

A loan made under the [Lender of Last Resort \(LLR\)](#) provisions that defaulted within the applicable time frame is included in the numerator of a school's cohort default rate calculation. In addition, any [FFELP](#) loan that has defaulted and been rehabilitated by the borrower by the end of the fiscal year following the year in which the loan entered repayment—or any [FDLP](#) loan that would be considered in [default](#) but on which a borrower has made 12 consecutive, monthly, voluntary, on-time payments—is not considered in default ([Section 13.7](#)). [[Cohort Default Rate Guide](#)]

For a student borrower whose loan was fully discharged due to death, disability, [bankruptcy](#), closed school, false certification, unpaid refund, or teacher loan [forgiveness](#) provisions after default, the borrower will be included in the numerator of the cohort default rate calculation that contains the same loan in the denominator, if the default occurred within the applicable time frame. For a student borrower whose loan was fully discharged for these same reasons without a previous default, the borrower will *not* be included in the numerator of the cohort default rate calculation that contains the same loan in the denominator if the [guarantor](#) was notified of the condition in a timely manner. If the borrower's loan was discharged due to school closure, false certification, or identity theft the borrower is

not included in the cohort default rate calculation. For a student borrower who paid a defaulted loan in full, the borrower will be included in the numerator of the cohort default rate calculation that contains the same loan in the denominator. If a loan default occurred within the applicable time frame and the borrower rehabilitates the defaulted loan within the cohort default period, the borrower is not included in the numerator. [[Cohort Default Rate Guide](#)]

A loan will be considered to be in default if a payment is made by the school or its owner, [agent](#), contractor, employee, or any other entity or individual affiliated with the school in order to avoid default. [[§668.202\(c\)\(1\)\(iii\)](#)]

Data Source

Cohort default rates are calculated based on data from the [National Student Loan Data System \(NSLDS\)](#). This data is transmitted to the NSLDS by guarantors, who received the data from lenders and [servicers](#). [[Cohort Default Rate Guide](#)]

Types of Loans Included in Cohort Default Rates

Cohort default rates ~~for fiscal years 1993 and beyond~~ include [FFELP and Direct Subsidized Stafford](#), [FFELP and Direct Unsubsidized Stafford](#), and [SLS loans](#), including underlying loans that are included in a Consolidation loan. [[§668.202\(b\)](#)]

Schools That Change Status

~~Certain school changes affect the CDR calculation. See the CDR Guide for more information about school [Detailed information regarding the calculation of cohort default rates for schools that change status](#)—due to acquisitions or mergers, acquisitions of branches or locations, or branches or locations becoming separate schools, affecting federal school identification numbers—[can be found in federal regulation](#), as well as the Department's [Cohort Default Rate Guide](#).~~ [[§668.203](#)]¹

¹ Policy 1308 (Batch 203), approved July 16, 2015

Change of Ownership Resulting in a Change of Control, Mergers, or Acquisition of Another School

If a school undergoes a change of ownership, and the school's new owner establishes eligibility for the school, the consequences of the school's previous cohort default rates continue to apply to the school. For mergers or acquisitions of another school, the CDR applicable to the school with the highest number of borrowers entering repayment during the two most recent cohorts published prior to the merger or acquisition applies to the new school organization.

[§668.203(b) and (c)]

The first CDR published after the date of the acquisition or merger includes borrowers from each school involved in the merger or acquisition transaction.

[§668.202(b) and (c); §668.207]

16.3 School Draft Cohort Default Rates and Challenges

The Department notifies each school of the scheduled transmittal date of its draft [cohort default rate](#) and then transmits the draft rates on that scheduled date annually in February or March, prior to the calculation of its official cohort default rate. The Department's notification to the school is electronic and is sent through the [eCDR notification package](#) process. This package includes the [loan record detail report](#) that supports the draft cohort default rate calculation. The draft rate is not considered public information and is provided only to the school, and may not be otherwise released by the data manager. A school may challenge its draft cohort default rate based on criteria specified in federal regulations and must use a format that is acceptable to the Department. The format for a cohort default rate challenge is detailed in the Department's [Cohort Default Rate Guide](#). If the school's challenge does not comply with the requirements detailed in the Guide, the challenge may be denied.

[§668.204]

The following is a brief explanation of the basic steps of the draft cohort default rate process. A school that intends to challenge its cohort default rate should refer to the detailed instructions for these activities in federal regulations and in the Department's [Cohort Default Rate Guide](#).

Draft Cohort Default Rates

The Department provides draft cohort default rates to schools to afford them an opportunity to review the cohort data and to ensure the accuracy of the information on which

the official rates will be based. The draft rate is always based only on the number of student borrowers entering repayment in the fiscal year for which the rate is being calculated, regardless of the number of student borrowers entering repayment in that year. Draft rates will always be calculated using Formula A found in [Section 16.2](#).

[§668.204(a)(2)]

Challenging Draft Cohort Default Rates

A school may challenge its draft [cohort default rate](#) based on two general criteria: incorrect data and the school's participation rate index (PRI). Any challenge must be submitted within 45 days of the time frame begin date. For domestic schools, the time frame begin date is defined as the sixth business day after the Department officially releases the draft cohort default rates. For [foreign schools](#), the time frame begin date is the day after the school's draft cohort default rate notification is received. A detailed explanation of the structure and content of a valid challenge is included in the Department's [Cohort Default Rate Guide](#). Schools should carefully note the time frames and criteria prescribed.

Incorrect Data Challenge

For a challenge based on incorrect data, the school must provide the challenge to the [guarantor](#) (unless the disputed loans have been assigned to the Department) and must include specific information as defined in federal regulation. If the guarantor concurs that the draft rate is based on inaccurate information and the school's challenge is successful, the Department will use the corrected data to calculate the official cohort default rate. If the school does not challenge its draft cohort default rate under the incorrect data challenge, it will lose its right to later submit an appeal of its official rate due to uncorrected data.

[§668.204(b)]

Participation Rate Index (PRI) Challenge

A school can use the PRI challenge to put [into perspective](#) the overall federal fiscal impact of its ~~CDR cohort default rate into perspective~~ based on the low percentage of its students receiving [FFELP](#) or [FDLP](#) loans. (See [Section 16.1](#) for more information on the calculation of the PRI.) A school may submit a PRI challenge if its draft ~~CDR cohort default rate~~ meets one of the following criteria:

- The ~~two year or three year cohort default rate~~ [CDR](#) exceeds 40% and the school's PRI for that cohort's fiscal year is less than or equal to 0.~~60150832~~.¹

¹ Policy 1308 (Batch 203), approved July 16, 2015

- ~~The two-year cohort default rate equals or exceeds 25% for the three most recent years for which rates have been calculated and the school's PRI for any of those fiscal years is less than or equal to 0.0375.~~
- The three-year CDR cohort default rate equals or exceeds 30% for the three most recent years for which rates have been calculated and the school's PRI for any of those fiscal years is less than or equal to 0.0625.
- For a potential placement on provisional certification based on two of the last three issued cohort default rates that equal or exceed 30%, the school's PRI is less than or equal to 0.0625 for either of the two cohorts' fiscal years.

~~[HEA §435(a)(2)(B); and HEA §435(a)(8); §668.204(c); §668.214(e)]~~

A school must send its PRI challenge directly to the Department within 45 days after the date on which the school receives its draft cohort default rate notification. If the draft cohort default rate was based on fewer than thirty borrowers entering repayment, the school may use either its draft cohort default rate or the cohort default rate calculated by using Formula B (see [Section 16.2](#)) in the PRI calculation.

[§668.204(c)]

~~The Department will notify the school of its determination regarding the PRI challenge prior to the publication of official cohort default rates. If the challenge is successful, the school will not lose eligibility to participate in the FDLP and Federal Pell Grant Program when its official cohort default rate is published, even if that rate exceeds the applicable regulatory threshold for participation in those programs. However, the successful challenge will not exempt the school from any other loss of eligibility.~~

[§668.204(c)(4) and (5)]

If the Department determines that the school qualifies for continued [FDLP](#) or Federal [Pell Grant](#) Program eligibility based on its PRI challenge, it will notify the school of that determination prior to the publication of official [cohort default rates](#). A successful challenge that is based on the draft cohort default rate does not preclude the school from any other loss of eligibility.

[§668.204(c)(4) and (5)]

A detailed explanation of the structure and content of a valid challenge is included in the Department's [Cohort Default Rate Guide](#). Schools should carefully note the time frames and criteria prescribed.

16.4 School Official Cohort Default Rates, Adjustments, and Appeals

Each year, approximately six months after the release of the draft [cohort default rate](#) and prior to September 30, the Department electronically notifies each school of its official cohort default rate through the [eCDR notification package](#). A [loan record detail report \(LRDR\)](#) is included in the eCDR package if the school has one or more borrowers entering repayment or is subject to sanctions, or if the Department believes the school will have an official cohort default rate calculated as an average rate. Following notification, the Department publishes a list of official cohort default rates for all participating schools. The timeline for submitting a challenge, adjustment, or appeal begins on the sixth business day following the successful transmission date of the eCDR package as posted on the Department's Website, and lasts for 45 days. If a school reports a problem with the receipt of the eCDR package within 5 business days following the transmission and the Department agrees that the problem was not caused by the school, then the timeline for challenge, adjustment, or appeals is extended for that school to account for retransmission of the eCDR notification package once the technical problem is resolved. The school's 45-day timeline for submitting a challenge, adjustment, or appeal begins with the school's receipt of the eCDR package. If the school does not notify the Department of a transmission problem within the 5 business days following the transmission date of the eCDR package, the Department does not extend the timeline for submitting a challenge, adjustment, or appeal.

[§668.205]

What Official Rates Mean for Schools

~~If the school's official cohort default rate is excessively high (most recent rate exceeds 40%), the school may lose eligibility to participate in the FFELP or FDLP. If the school's official cohort default rates are persistently high (three most recent rates equal or exceed 25%), the school may lose its eligibility to participate in the FFELP, the FDLP, and the Federal Pell Grant Program.~~

[§668.206(a)]

In addition, schools with an official cohort default rate of 25% or more in the three most recent fiscal years for which rates are available may be subject to provisional certification of the school's Title IV program participation.

[§668.16(m); §668.187(a)(2)]¹

¹ Policy 1308 (Batch 203), approved July 16, 2015

~~Low official cohort default rates may qualify the school for exemption from selected disbursement requirements (see Subsection 7.7.B). The consequences for high cohort default rates differ for two-year rates and three-year rates.~~

Two-Year Rates

~~If the school's official two-year cohort default rate is excessively high (most recent rate exceeds 40%), the school may lose eligibility to participate in the FDLP. If the school's official two-year cohort default rates are persistently high (three most recent rates equal or exceed 25%), the school may lose its eligibility to participate in the FDLP and the Federal Pell Grant Program.~~
[§668.187(a)(1)]

~~In addition, a school with an official two-year cohort default rate of 25% or more in the three most recent fiscal years for which rates are available may be subject to provisional certification of the school's Title IV program participation.~~
[§668.16(m)(i); §668.187(a)(2)]

Three-Year Rates

For the first year that a school's three-year cohort default rate is 30% or more, the school must establish a default prevention task force to prepare and submit a plan to the Department that identifies factors contributing to the high default rate, establishes steps to improve the default rate, and specifies actions that can improve repayment rates.
[HEA §435(a)(7)(A); §668.217(a)]

If the school's three-year official cohort default rate is 30% or more for a second consecutive year, the default prevention task force must reevaluate and modify the plan to improve repayment rates.
[HEA §435(a)(7)(B); §668.217(b)]

Except for a successful appeal, ~~for fiscal year 2011 or later,~~ if the school's official ~~three-year~~ cohort default rate is excessively high (i.e., its most recent rate exceeds 40%), the school will lose its eligibility to participate in the FDLP. If the school's official ~~three-year~~ cohort default rates are persistently high (i.e., its three most recent rates each equal or exceed 30%), the school will lose its eligibility to participate in the FDLP and the Federal Pell Grant Program.
[§668.206(a)]

In addition, schools with an official ~~three-year~~ cohort default rate of 30% or more in two of the three most recent fiscal years for which rates are available may be subject to

provisional certification of the school's Title IV program participation.
[§668.16(m)(2)]¹

Responding to Rates: Adjustment or Appeal?

A school's eligibility to appeal or request an adjustment to its official cohort default rate depends on the default rate and the type of adjustment or appeal the school is considering, as follows:

- Any school may request a new data adjustment to its official cohort default rate (see Subsection 16.4.A).
[§668.210]
- Any school that successfully challenged the accuracy of the data in the loan record detail report supporting its draft cohort default rate may submit an uncorrected data adjustment request covering any approved changes that are not reflected in the school's official cohort default rate.
[§668.209]
- Any school may submit an appeal based on improper loan servicing or collection.
[§668.212]
- A school that is subject to loss of FFELP, FDLP, or Federal Pell Grant Program eligibility or provisional certification because of its cohort default rate may appeal the official cohort default rate based on erroneous data.
[§668.211]
- For all types of appeals, a school may appeal its official cohort default rate only if the school would be subject to a loss of FFELP, FDLP, or Federal Pell Grant Program eligibility based on that rate.

16.4.A School Requests for Adjustment

Two options are available for a school to request an adjustment of its official cohort default rate:

- **Uncorrected Data Adjustment**
The uncorrected data adjustment is used to identify and correct data that has been included in the published, official cohort default rate. The school may submit this type of adjustment request if it had, during the "draft" phase, submitted a timely challenge regarding data

¹ Policy 1308 (Batch 203), approved July 16, 2015

economically disadvantaged population appeal and are fairly stated in all material respects.

[§668.213(c) and (e)]

A school appealing on the basis of an economically disadvantaged student population must submit its management's written assertions as described in the *Cohort Default Rate Guide*, within 30 days after receiving the official cohort default rate notice. The auditor's opinion must be submitted to the Department within 60 days after receiving the notice. Detailed instructions for this appeal process can be found in the *Cohort Default Rate Guide* and federal regulations.

[§668.194(g) and (h); *Cohort Default Rate Guide*]

Participation Rate Index (PRI) Appeals

The PRI puts into perspective the impact of the school's cohort default rate on the federal fiscal interest. Thus, a low PRI indicates that the overall impact of a school's students' defaults is not significant in terms of federal dollars. (See [Section 16.1](#) for information regarding the calculation of the PRI.) A school that is subject to provisional certification or a loss of FFELP, FDLP, or Federal Pell Grant Program eligibility may use the PRI appeal based on any one of the following conditions:

- The school has one cohort default rate over 40% and the PRI for that cohort's fiscal year is less than or equal to 0.0832.

[§668.204(e)(1)(i); 214(a)(1)]

- ~~The school has three consecutive two-year cohort default rates of 25% or more and the PRI for any of the three cohorts' fiscal years is less than or equal to 0.0375.~~

~~[HEA §435(A)(8); §668.195(a)(2)]~~

- ~~The school has three consecutive three-year cohort default rates of 30% or more and the PRI for any of the three cohorts' fiscal years is less than or equal to 0.0625.~~

~~The three-year cohort default rate equals or exceeds 30% for the three most recent years for which rates have been calculated and the school's PRI for any of those fiscal years is less than or equal to 0.0625.~~

- For a potential placement on provisional certification based on two of the last three issued three-year cohort default rates that equal or exceed 30%, the school's PRI is less than 0.0625 for either of the two cohorts' fiscal years.

[HEA 435(a)(2)(B); HEA 435(a)(8); §668.214]~~[§668.204(e)(1)(ii)]~~

~~A school appealing a loss of eligibility based on its PRI must submit that its appeal to the Department within 30 days after receiving the notice of loss of eligibility. Detailed instructions for this appeal process can be found in the *Cohort Default Rate Guide* and federal regulations.~~

~~[§668.204214(c)(3); *Cohort Default Rate Guide*]¹~~

Average Rates Appeals

A school may submit an average rates appeal if it is subject to a loss of FFELP, FDLP, or Federal Pell Grant Program eligibility due to high cohort default rates and the school meets either of the following criteria:

- The school's official cohort default rate is greater than 40% and that cohort default rate was calculated as an average because there are fewer than thirty borrowers entering repayment in that cohort.

[§668.215(a)(1)]

- The school's three most recent cohort default rates are 25% or more, at least two of those rates were calculated as average rates, and those two rates would be less than 25% if calculated for the applicable fiscal year alone.

[§668.215(a)(2)]

The Department makes the initial determination that a school qualifies for an average rates appeal. Notice of that determination is included in the official cohort default rate notification. If the Department makes an initial determination that a school does not qualify for an average rates appeal and the school disagrees with that determination, the school must submit its appeal and all supporting documentation to the Department within 30 days after receiving the official cohort default rate notification. If the Department determines the school meets the requirements for the appeal, the school will not lose Title IV eligibility. Detailed instructions for this appeal process can be found in the *Cohort Default Rate Guide* and federal regulations.

[§668.215(b) and (c); *Cohort Default Rate Guide*]

¹ Policy 1308 (Batch 203), approved July 16, 2015

Thirty-or-Fewer Borrowers Appeals

A school that is subject to a loss of [FFELP](#), [FDLP](#), or Federal Pell Grant Program eligibility due to high official [cohort default rates](#) may submit this type of appeal if a total of thirty or fewer borrowers are included in the three most recent cohorts of borrowers used to calculate the school's cohort default rates. [The Department](#) makes the initial determination that a school qualifies for this type of appeal, and includes a notification regarding that determination in the official [cohort default rate](#) notice. If the Department makes an initial determination that a school does not qualify for a thirty-or-fewer borrowers appeal and the school disagrees with that determination, the school must submit its appeal and all supporting documentation to the Department within 30 days after receiving the official cohort default rate notification. Detailed instructions for this appeal process can be found in the [Cohort Default Rate Guide](#) and federal regulations. [[§668.216](#); [Cohort Default Rate Guide](#)]

16.5 Consequences of High Official Cohort Default Rates for Schools

The Department may impose certain sanctions on schools with persistently high (three most recent official cohort default rates equal or exceed ~~25~~30%) or excessively high (greater than 40% for the most recent year) official cohort default rates. These sanctions are not imposed on schools that successfully appeal or adjust their cohort default rates (see [Section 16.4](#)).

Termination of Eligibility

Unless a school appeals or requests an adjustment to its official cohort default rate, the school loses eligibility to participate in the ~~FFELP and~~FDLP 30 days after receiving notice that its most recent official cohort default rate exceeds 40%. A school loses eligibility to participate in the ~~FFELP, FDL~~P, and the Federal Pell Grant Program 30 days after the school receives notice that its three most recent official cohort default rates are ~~25~~30% or greater, unless the school appeals or requests an adjustment by that date. The loss of eligibility is applicable for the remainder of the fiscal year in which the cohort default rate notice is received and the two subsequent fiscal years. ~~A school will not lose its Federal Pell Grant Program eligibility under this section if the school was ineligible to participate or withdrew its participation in FFELP and FDL~~P in writing prior to October 7, 1998, and the eligibility was not reinstated, or the school has not certified a ~~FFELP~~ loan or originated a ~~FDLP~~ loan on or after July 7, 1998.

If a school is subject to a loss of eligibility based on three cohort default rates of 30% or greater, it may continue to participate in the Federal Pell Grant Program if the Department determines any of the following are true:

- The school was ineligible to participate in the FFELP or the FDLP before October 7, 1998, and their eligibility was not reinstated; and
- The school requested in writing before October 7, 1998, to withdraw participation in the FFEL and FDLP and was not later reinstated; and/or
- The school has not certified a FFELP loan or originated an FDLP loan on or after July 7, 1998.

The school may avoid a loss of eligibility by submitting a timely, complete appeal or request for adjustment of its official cohort default rate that results in a recalculation of the rate to below the applicable threshold for loss of eligibility. However, if that request for adjustment or appeal is denied, the school may incur liabilities payable to the Department if it continues to certify and deliver funds later than 30 days after the school received its official cohort default rate notification. ~~The liability period for the school's delivery of FFELP funds ends 45 days after the school submits a completed, timely appeal or request for adjustment to the Department.~~ [[§668.206\(e\)](#) and (f)]

~~A school that loses its eligibility on the basis of its cohort default rate must inform all current and potential students that it is no longer eligible to participate in the FFELP and that students who attend may not receive FFELP funds. However, students already attending the school will remain eligible for in-school deferments based on their attendance at the school.¹~~

A student who is [enrolled](#) at the school and has received the first [disbursement](#) of a Direct loan before the school loses Direct loan eligibility may receive any remaining disbursements of that loan if he or she is otherwise eligible. However, a student who is enrolled at the school but to whom the first disbursement of a Direct loan has not been delivered (either directly or by credit to his account) by the date on which the school becomes ineligible may not receive that loan.

[[§668.26\(d\)\(3\)](#); [§685.303\(b\)\(3\)\(iii\)](#)]

¹ Policy 1308 (Batch 203), approved July 16, 2015

Default Prevention Plans

Beginning with the official publication of three-year cohort default rates, a school whose three-year cohort default rate for a fiscal year is 30% or more must establish a default prevention task force to prepare a default prevention plan to:

- Identify the factors causing the school's rate to be 30% or more.
- Establish measurable objectives and steps to improve its default rate.
- Specify actions that can be taken to improve student loan repayment, including counseling regarding loan repayment options.

[HEA §435(a)(7); §668.217]

The school must submit its Default Prevention Plan to the Department, and after reviewing the plan, the Department will offer technical assistance to the school to help improve the default rate. If, for a second year, the school's default rate is 30% or more, the task force must review and amend the plan submitted earlier and send it to the Department for review. The Department may require the school to take additional actions that promote student loan repayment.¹

Default Prevention Task Force

The Department recommends that a school's default prevention task force be comprised of appropriate senior level school officials including representatives from offices other than the financial aid office. The purpose of the default management task force is to:

- Identify and allocate the personnel and administrative and financial resources necessary to implement the default management plan.
- Establish a process to ensure the accuracy of data used to calculate its draft and official cohort default rates.
- Provide for a data collection system to track and analyze borrowers who default on their loans.
- Define evaluation methods, set default reduction targets, conduct an annual comprehensive self-evaluation to reduce defaults, and implement any indicated modifications.

Developing a Default Prevention Plan

A default prevention and management plan describes measurable objectives and the steps the school will implement in an effort to reduce student debt and default rates.

- *Enhanced Loan Counseling*

During entrance and exit counseling, in addition to complying with the standard entrance and exit counseling requirements (see Chapter 4, [Subsection 4.4.C](#)), obtain information from borrowers regarding references and family members beyond those requested in the loan application, as well as cell phone numbers and e-mail addresses for borrowers. During exit counseling, (see Chapter 4, [Subsection 4.4.D](#)) collect updated information from the borrowers.

- *Information about Repaying the Loan*

Provide borrowers with the estimated balance and interest rate(s) of their loan(s), as well as a sample loan repayment schedule based on their projected total loan obligation upon completion of the program. Provide the name, address, and telephone numbers of their loan servicers, and the estimated date of their first scheduled payment. Provide an estimated monthly income that the borrower can reasonably expect to receive in his or her first year of employment, based on the education received.

- *Financial Management*

- Provide financial literacy resources to borrowers upon enrollment, during attendance, and following graduation or withdrawal.
- Explain to the borrower that he or she should borrow only what is needed, and can cancel or return any funds in excess of that amount.
- Make clear that the borrower must inform his or her loan servicer immediately of any changes of name, address, telephone number, or Social Security number.
- Advise the borrower to contact the loan servicer to discuss a change in repayment plan or other repayment options if the borrower is unable to make a scheduled payment.

¹ Policy 1308 (Batch 203), approved July 16, 2015

- Provide general information about budgeting for living expenses and other aspects of personal financial management, including deferment, forbearance, consolidation, and other repayment options, and how to obtain these.
 - Explain the possible sale of loans by lenders and the use of outside contractors to service loans.
 - Explain that dissatisfaction with, or non-receipt of, expected educational service and underemployment does not excuse the borrower from repayment of loans.
 - Explain the consequences of default, including a damaged credit rating, loss of eligibility for further Title IV assistance, loss of generous repayment and deferment options, offset of tax refunds and federal benefits, wage garnishment, and possible civil suit.
- *Identification and Counseling of At-Risk Students*

The plan should include a means of identifying borrowers who withdraw prematurely from their educational program, who do not meet standards of satisfactory academic progress, or both, and provide counseling that offers intervention options and support.
 - *Campus-Wide Communication*

Communication of information relevant to the prevention and management of defaults must be a school-wide effort and should not be the responsibility of only a single office. To promote success, campuses should evaluate their communication procedures to ensure compliance and accuracy. Information regarding borrowers' academic progress and enrollment status should be components of the information received by all relevant offices across campuses, including the offices that disburse funds and authorize payments. Accurate and timely reporting of borrowers' enrollment status is essential.
 - *After Students Leave School*
 - On a scheduled basis, schools should request and review their NSLDS Date Entered Repayment (DER) Report to assure that the data on this report matches their records.
- Early Stage Delinquency Assistance (ESDA) begins at the time of separation or early in the grace period. This is a focused effort by lenders, guarantors, and schools to assist particular borrowers in preparing for entry into loan repayment. ESDA activities afford an opportunity to provide focused, enhanced loan counseling, borrower education, and personal support during the grace period to help decrease the chance of later loan default.
 - Late Stage Delinquency Assistance (LSDA) ~~requires collaboration with~~ incorporates available services that may be provided by guarantors and servicers to enhance communication with borrowers throughout repayment. LSDA techniques enable schools to help prevent seriously delinquent borrowers from default.
 - Loan Record Detail Report (LRDR) data should be reviewed to ensure that CDR rates are accurate and include the correct borrowers and loans.
 - Periodically review the school's progress in preventing defaults. Evaluate commonalities and trends among defaulters and use this information to improve the school's default prevention plan and initiatives.
- [GEN-05-14]
- ~~The school must submit the plan to the Department, and after reviewing the plan, the Department will offer technical assistance to the school to help improve the default rate.~~
- ~~If, for a second year, the school's default rate is 30% or more, the task force must review and amend the plan submitted earlier and send it to the Department for review. The Department may require the school to take additional actions that promote student loan repayment. [HEA §435(a)(7); §668.217]~~
- Exemptions from Consequences of High Official Cohort Default Rates**
- ~~Certain schools may qualify for special relief from the consequences of high cohort default rates for one-year periods beginning on July 1 of the years 1999 through 2003. A school must be one of the following:~~
- ~~A historically black college or university (as defined in the Act [HEA 322(2)]).¹~~

¹ Policy 1308 (Batch 203), approved July 16, 2015

- ~~A tribally controlled community college (as defined in the Tribally Controlled Community College Assistance Act of 1978).~~
- ~~A Navajo community college (as defined under the Navajo Community College Act).~~

~~A school that otherwise qualifies must submit the necessary information and certifications to the Department by July 1 of the first one year period that begins after the school's receipt of the notice of loss of eligibility. Additional steps in this exemption process are detailed in the *Cohort Default Rate Guide* and federal regulations.~~

~~[HEA §435(a)(2)(C)]~~

Preventing the Evasion of the Consequences of High Official Cohort Default Rates

In order to prevent a school from evading the consequences of a high official [cohort default rate](#) by the merger with or acquisition of another school, a school's loss of ~~FFELP~~ [FDLP](#) eligibility that is based on a single cohort default rate greater than 40%, or equal to or greater than ~~25~~30% for each of the three most recent official cohort default rates, is applied to another school that is eligible to participate in the ~~FFELP~~ [FDLP](#) if all of the following criteria are met:¹

- Both schools are parties to a transaction that results in a change in structure or identity.
[§668.207(a)(1)]
- After the change in structure or identity, the ~~FFELP~~ [eligible](#) school offers an educational program at substantially the same address at which the ~~FFELP~~ [ineligible](#) school offered programs before the change.
[§668.207(a)(2)]
- There is a commonality of ownership or management between the two schools.
[§668.207(a)(3)]

If the [Department](#) determines, in response to an application filed under §600.20 or a notice filed under §600.21, that schools meet the above criteria, the Department notifies the eligible school that it is subject to the same loss of ~~FFELP~~ [eligibility](#) as the ineligible school. This loss applies to all of the school's locations from the date that the school receives the Department's notification until the expiration of the period of ineligibility applicable to the ineligible school. If a school is subject to such a loss of eligibility, the school

may only submit a request for adjustment or appeal that would be applicable to the ineligible school.

[§668.207(d) and (e)]

16.6 Cohort Default Rates for Lenders and Holders

Each year, the Department calculates and publishes ~~FFELP~~ [cohort default rates](#) for each lender and [holder](#) based on data for each lender identification number. The rate is calculated from information supplied by [guarantors](#).

There are currently no consequences for lenders and holders associated with ~~FFELP~~ [cohort default rates](#). However, a lender or holder may wish to appeal its rate if it identifies discrepancies in the data used to calculate its rate. Currently, an appeal based on erroneous data is the only ~~FFELP~~ [cohort default rate appeal](#) available to lenders and holders.

[[Cohort Default Rate Guide for Guaranty Agencies and Lenders](#)]

The Appeal Process

Following are procedures for appealing a lender or holder ~~FFELP~~ [cohort default rate](#) on the basis of erroneous data:

- The lender or holder should promptly request backup data from the [guarantor](#). The request should be signed by an official of the lender or holder who is authorized to act on its behalf in this regard.
- After reviewing the backup data, the lender or holder should submit documentation supporting its claim of erroneous data to the [guarantor](#). Each [record](#) submitted should be clearly identified with the borrower's name, [Social Security number](#), and the nature of the error. This documentation may include items such as notices of change of enrollment, canceled checks, or other information pertinent to resolving the discrepancy.
- The guarantor responds to the lender or holder regarding the appeal (with a copy to [the Department](#)) and the lender or holder should send a letter to the Department indicating whether it agrees with the guarantor's conclusion.

The Department will make the final ruling on whether to adjust the lender's or holder's ~~FFELP~~ [cohort default rate](#) based on the information provided.

[HEA §430(c); DCL 96-L-191; [Cohort Default Rate Guide for Guaranty Agencies and Lenders](#)]

¹ Policy 1308 (Batch 203), approved July 16, 2015