

Anatomy of a Cohort Default Rate

a-nat-o-my
 əˈnætəmə/
noun
 noun: anatomy; noun: anat.
 The branch of science concerned with the bodily structure of humans, animals, and other living organisms, especially as revealed by dissection and the separation of parts. The bodily structure of an organism.

A study of the structure or internal workings of something.

Plural noun: anatomies
 Synonyms: bodily structure, makeup, composition, constitution, form, structure

cohort default rate
 kōˌhɔrt/dɛfɔlt/rāt/
noun

The percentage of a school's borrowers who enter repayment on certain loans during a federal fiscal year (October 1 to September 30) and default prior to the end of the next two fiscal years

Objectives

- 1 | Discuss the timing of loan default
- 2 | Share how the Department calculates CDRs
- 3 | Walk through special circumstances and how they impact CDRs
- 4 | Discuss how and when CDRs are sent to schools



Objectives

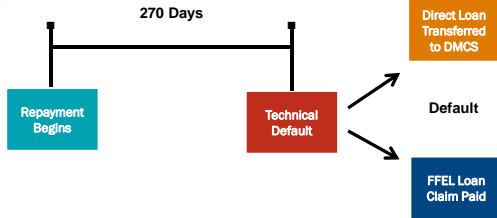
- 5 | Discuss how to correct data
- 6 | Review CDR rewards and penalties
- 7 | Share resources





Timing of Loan Default

When Does a Borrower Default?



GREAT LAKES

When Does a Borrower Default?

Technical Default

- 270 days of delinquency
- DF reported as the loan status code
- Ineligible for Title IV aid
- Servicer continues due diligence
- Payment, deferment, or forbearance can bring loan current

GREAT LAKES



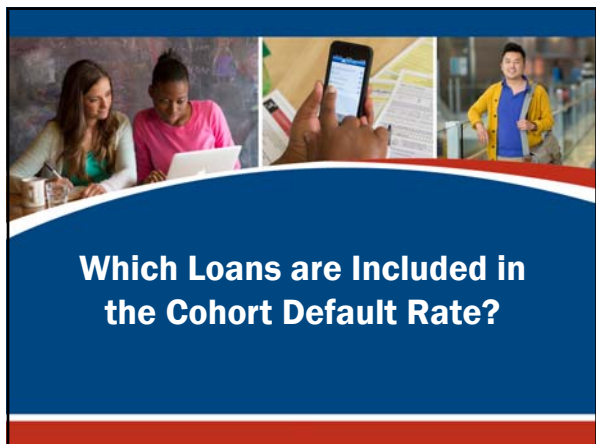
When Does a Borrower Default?

Actual Default

- 360 days of delinquency – Direct Loans
- Claim paid by guarantor – FFELP Loans
- Default status reported to the credit reporting agencies
- Collection costs can be assessed

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Which Loans are Included in the Cohort Default Rate?

Federal Direct subsidized and unsubsidized loans

FFEL subsidized and unsubsidized loans




How Does the Department Calculate CDRs?

Numerator Number of borrowers in the denominator who defaulted during the cohort period

Denominator Number of borrowers who entered repayment in the cohort default rate fiscal period

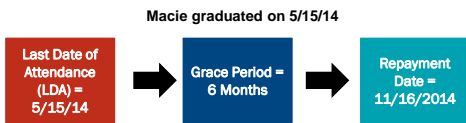
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Cohort Default Rate



Which Loans are in the Denominator?

- The official repayment date is the first day following the end of the 6-month grace period



Which Loans are in the Numerator?

- Borrowers must be included in the denominator in order to be included in the numerator
- For CDR purposes, a loan is considered in default
 - After 360 days of delinquency for Direct loans
 - When the guarantor has paid a default claim to the lender for FFEL loans



Calculating the CDR

3 Default in 2011	4 Default in 2012	2 Default in 2013	=	9 12.5% Cohort Default Rate
72 borrowers who entered repayment in 2011				72



Timeframes for CDRs

Cohort Fiscal Year	Year Published	Borrowers in the Numerator Borrowers in the Denominator
2011	2014	Borrowers who defaulted 10/1/2010 to 9/30/2013 Borrowers who entered repayment 10/1/2010 to 9/30/2011
2012	2015	Borrowers who defaulted 10/1/2011 to 9/30/2014 Borrowers who entered repayment 10/1/2011 to 9/30/2012
2013	2016	Borrowers who defaulted 10/1/2012 to 9/30/2015 Borrowers who entered repayment 10/1/2012 to 9/30/2013
2014	2017	Borrowers who defaulted 10/1/2013 to 9/30/2016 Borrowers who entered repayment 10/1/2013 to 9/30/2014
2015	2018	Borrowers who defaulted 10/1/2014 to 9/30/2017 Borrowers who entered repayment 10/1/2015 to 9/30/2015

Cohort Default Rate Cycle

February **Draft Rate Cycle** August September **Official Rate Cycle** January

Draft default rates released to schools only

Official rates released to schools and the general public

- The Department sends draft and official cohort default rates to all schools that
 - Are eligible to participate in any of the Title IV programs
 - Have had a borrower in repayment in the current or any of the past cohort default rate periods





Special Circumstances and How They Impact CDRs

Consolidation

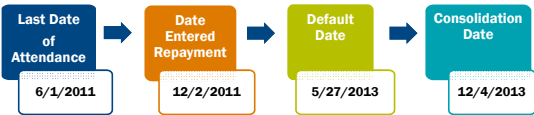
- Borrower consolidates their federal loans
 - They are included in the cohort fiscal year when they entered repayment on the underlying loans
 - Even though the borrower has regained Title IV eligibility, they are still in default for the purpose of calculating the CDR
 - Borrower will only count in the CDR once, even if they default on the consolidation loan



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Should Mickey be Included in FY12 CDR?

- Mickey withdrew from school on 6/1/2011
- He defaulted on his loans on 5/27/2013
- He then consolidated three loans on 12/4/2013 in order to regain Title IV eligibility



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Should Mickey be Included in FY12 CDR?

- The date underlying loans entered repayment is the date used in the cohort default rate calculation

Mickey defaulted 5/27/2013 FY2012 (10/1/2011 – 9/30/2014)	Yes
Date Mickey entered repayment 12/2/2011 FY2012 (10/1/2011 – 9/30/2012)	Yes

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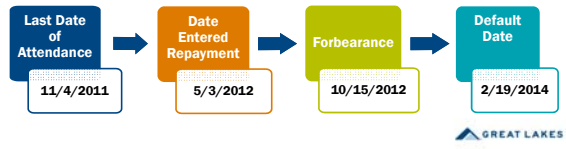
Deferment and Forbearance

- Borrower enters repayment and later receives a forbearance on the loan
 - Deferments and forbearance do not alter the date the borrower enters repayment



Should Myles be Included in FY12 CDR?

- Myles withdrew from school 11/4/2011
- His loans are placed in forbearance on 10/15/2012
- He defaulted on 2/19/2014



Should Myles be Included in FY12 CDR?

- The borrower is included in the cohort fiscal year when they entered repayment
- They are also included if they default during the same cohort period

Myles defaulted 2/19/2014 FY2012 (10/1/2011 – 9/30/2014)	Yes
Myles entered repayment on 5/3/2012 FY2012 (10/1/2011 – 9/30/2012)	Yes



Transfer Schools

- A borrower takes out loans from one school, withdraws and enrolls at another school before the end of the grace period
 - The borrower is included in the cohort fiscal year when they actually enter repayment
 - If the date they enter repayment is delayed by enrolling in school, then their inclusion in the default rate calculation is also delayed



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Transfer Schools

- A borrower takes out loans from one school, withdraws and enrolls at another school after the grace period expires
 - The borrower is included in the cohort fiscal year when then they enter repayment for each school where they received loans



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Multiple Loans

- A borrower received more than one loan with repayment dates that fall into different cohort fiscal years
 - The borrower will be included in two different cohort default rate calculations for the same school



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Paid in Full

- Borrower pays loan in full before they were scheduled to go into repayment
 - The borrower is included in the cohort fiscal year that they paid the loan in full
 - The paid-in-full date becomes the new repayment date

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Paid in Full

- Borrower pays loan in full after defaulting
 - The borrower is included in the cohort year when they entered repayment and defaulted

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Discharged Loans

- A borrower defaults on their loan and the loan subsequently is discharged due to death, bankruptcy, or disability
 - The borrower is included in the cohort fiscal year of the year the borrower entered repayment and defaulted

Death	Bankruptcy	Disability
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Discharged Loans

- The borrower's loan was discharged due to school closure, false certification or identity theft
 - The borrower's is not included because school closure, false certification, identity thefts are not included in cohort default rate calculations

School Closure

False Certification

Identity Theft



Rehabilitation

- A borrower defaults on their loans and later fulfills the rehabilitation agreement
 - Must make at least 9 full payments over a 10-month period
 - Payments must be made within 20 days of the due date



Rehabilitation

- If the borrower rehabilitates the loan before the end of the cohort default period, the borrower is not included in the numerator because the borrower is no longer considered to be in default

Numerator

Denominator



Should Marla be Included in FY12 CDR?

- Marla entered repayment on 11/14/2011
- Marla defaults on 12/4/2012
- She begins loan rehabilitation on 3/29/2013 and completes it on 12/29/2013



Should Marla be Included in FY12 CDR?

- The borrower is included in the cohort fiscal year when they entered repayment
- They are also included if they default during the same cohort period but removed if they rehab before the same cohort ends

Marla defaulted 12/4/2012 FY2012 (10/1/2011 - 9/30/2014)	Yes
Marla entered repayment on 11/4/2011 FY2012 (10/1/2011 - 9/30/2012)	Yes



How and When CDRs are Sent to Schools?

How Are Schools Notified?

- CDR notification packages
 - Sent electronically to all eligible domestic and foreign schools (eCDR)
 - Using Student Aid Internet Gateway (SAIG)
 - Allowed five business days to report problems
 - Timelines for submitting challenges, adjustments and appeals begin six days following announced transmission date, as posted on IFAP (ifap.ed.gov)
 - IFAP notification establishes the “Timeframe Begin Date”



What Is Included in the eCDR?


- CDR package includes
 - Cover letter
 - Loan Record Detail Reports (LRDR)
 - Reader-friendly
 - Extract-type



Loan Record Detail Report (LRDR)

- Contains borrower information for Stafford (DL and FFELP) loans that were used to calculate a school’s draft or official cohort default rate
 - Includes borrower’s
 - Name, social security number
 - Date borrower entered repayment
 - Date of default (if applicable)
 - Loan type







Correcting Data – Challenges, Adjustments, and Appeals


Review the Loan Record Detail Report

- Check for accuracy
- Compare to school records
 - Repayment Date
 - Default Status
 - Cancellations/Refunds

Possible Errors on the LRDR

- LRDR incorrectly:
 - Reports a data element and the data element should be changed
 - Includes a borrower whose repayment date does not fall within the cohort fiscal year and the borrower should be removed from the cohort rate calculation
 - Excludes a borrower who entered repayment within the cohort and the borrower should be added to the cohort rate calculation



Collecting the Data

- Determine data that needs to be captured
 - Last date of attendance (LDA)
 - Less than half-time date (LTH)
 - Withdrawal date (WD)
 - Date entered repayment (DER)
 - Claim paid date/default date (CPD/DD)
- Use a spreadsheet or database to collect this data
 - Implement this process early



Challenging the Draft CDR

Incorrect Data Challenge (IDC)

- Used to correct errors on the draft CDR
- Submitted by school to federal servicers and/or guarantors (FFEL) via eCDR Appeals within 45 days of timeframe begin date



34 CFR
668.185(b)
34 CFR
668.204(b)

Challenging the Draft CDR

Incorrect Data Challenge (IDC)

- Possible incorrect data
 - Borrower did not enter repayment during cohort year
 - Borrower did not default during cohort period
 - Other borrowers entered repayment during cohort period



34 CFR
668.185(b)
34 CFR
668.204(b)

Challenging the Draft CDR

- Schools that fail to challenge the accuracy of draft cohort default rate data through an incorrect data challenge may not contest the accuracy of the data used in the official rate



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Other Challenges, Adjustments, and Appeals

Participation Rate Index Challenge

Uncorrected Data Adjustment

New Data Adjustment

Erroneous Data Appeal

Loan Servicing Appeal

Other Challenges, Adjustments, and Appeals

Economically Disadvantaged Appeal

Participation Rate Index Appeal

Average Rate Appeal


Thirty or Fewer Borrowers Appeal

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CDR Rewards

- Schools with a cohort default rate of less than 15% for each of the three most recent fiscal years
 - May disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period
 - May choose not to delay the first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers




CDR Penalties

First consecutive year at 30% or more

- Default prevention plan and task force
- Submit plan to FSA for review

Second consecutive year at 30% or more

- Review/revise default prevention plan
- Submit revised plan to FSA
- FSA may require additional steps to promote student loan repayment



CDR Penalties

Third consecutive year at 30% or more

- Loss of Title IV eligibility

One year at 40% or more

- Loss of Direct Loan program eligibility for the remainder of the fiscal year





Conclusion and Resources

Control Your Default Rate...Don't Let it Control You

- Implement effective and proactive default prevention strategies
- Work with borrowers to facilitate successful repayment
- Review the LRDR and submit timely appeals, if necessary



Resources

- Great Lakes' Default Management Tools and Resources
- Cohort Default Rate Guide
 - <http://ifap.ed.gov/DefaultManagement/CDRGuideMaster.html>
- eCDR Appeals System
 - ecdrappeals.ed.gov



Helpful Resources



NorthStar Ready-To-Use Resources

- 6 Steps to Choosing a Default Prevention Partner
 - <http://nseds.com/resources/>
- CDR Snapshot: track & evaluate your CDR throughout the cohort period
 - <https://cdrsnapshot.nseds.com/>

Free resources for the good of all



Thanks for Attending



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