Tab
Reducing Student Loan Defaults – Strategies for Success

Presented by:
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Default Prevention Initiatives Specialist
EDFUND

Agenda
• Cohort Default Rate review
• Life cycle of a loan – delinquency to default
  – Consequences of default
  – Defaulter characteristics
• School strategies
  – Reactive strategies
  – Proactive strategies
Cohort Default Rate Review

Cohort Default Rate (CDR)

• Gauge of success
• Measures number of borrower defaults
  – Relative to borrowers in repayment
  – During specific periods
• Tracked and calculated by ED
  – NSLDS (National Student Loan Data System)
  – eLRDR (electronic Loan Record Detail Report)

Cohort Year (CY) 2006

If 451 borrowers enter repayment in this date range...

...and 55 of those default in this date range...

55 (Numerator) / 451 (Denominator) = 12.1% CDR
Life Cycle of a Loan – Delinquency to Default

Lender Due Diligence Day 1-15

- Must send one written notice or collection letter containing:
  - Contact information
  - Statement indicating assistance may be available if the borrower is having trouble making payments

- Skip tracing

Common Manual, Due Diligence in Collecting Loans, Section 11.4 – February 2005
Lender Due Diligence
Day 16-180

- Four collection calls
  - One on or before the 90th day
  - One after the 90th day
- Four collection letters
- Default Aversion Assistance Request (DAAR) to guarantor between 60-120 days

Lender Due Diligence
Day 181-270

- Further collection efforts encouraging repay
- Final demand letter on or after day 241
  - Give borrower 30 days to respond

Claim Filing Period

- May submit claim after day 270
- No later than day 360
- Encouraged to file on or after day 300
Guarantor Efforts
- Begins upon receipt of DAAR
- Mirrors lender/servicer efforts
- Telephone calling campaign
- Letter campaign
- Skip tracing
- Claim aversion efforts

Other Efforts by Lender and Guarantor
- Grace period calls
  - Early withdrawals
- Late stage delinquency counseling
  - Up to claim payment
- Verbal forbearances
- Delinquency reports and databases

Consequences of Default
- Schools
  - 25% for three consecutive years
  - 40% for one year
Consequences of Default

- Borrower
  - Principle and interest due in full
  - Collection costs
  - Tax offsets
  - Garnished wages
  - Collection calls
  - Negative credit

Consequences of Default

Based on income taxes of 33%  Car amount of $20,000 at 5% interest vs. 20% interest.  Home amount of $250,000 at 6% interest vs. 11%.  Credit amount of 5,000 at 10% vs. 20%

<table>
<thead>
<tr>
<th>Debts</th>
<th>Before Default</th>
<th>After Default</th>
<th>Added Cost</th>
<th>Additional Earnings Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car</td>
<td>$377</td>
<td>$530</td>
<td>$153</td>
<td>$228</td>
</tr>
<tr>
<td>Home</td>
<td>$1,499</td>
<td>$2,381</td>
<td>$882</td>
<td>$1,316</td>
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<tr>
<td>Credit</td>
<td>$200</td>
<td>$250</td>
<td>$50</td>
<td>$75</td>
</tr>
<tr>
<td>Total</td>
<td>$2,076</td>
<td>$3,161</td>
<td>$1,085</td>
<td>$1,619</td>
</tr>
</tbody>
</table>

Hourly: $9.34  Weekly: $374  Annually: $19,428

*Based on income taxes of 33%. Car amount of $20,000 at 5% interest vs. 20% interest. Home amount of $250,000 at 6% interest vs. 11%. Credit amount of 5,000 at 10% vs. 20%.

Consequences of Default

- Taxpayer
  - $30 million over last 10 years
- Lender
  - Potential revenue lost
  - Partnership challenges
- Guarantor
Defaulter Characteristics

• Student background
  – Low-income family
  – Father never attended college
  – Did not graduate high school
  – Prior defaults
  – Receives AFDC

Source: EDFUND, Research and Policy Analysis, 3/21/02, Clearing Accounts: The Causes of Student Loan Default

Defaulter Characteristics

• In-school experiences
  – Withdrew
  – Borrowed small amounts
  – Academic level
  – Type of school

Source: EDFUND, Research and Policy Analysis, 3/21/02, Clearing Accounts: The Causes of Student Loan Default

Defaulter Characteristics

• Loan servicing
  – Consolidation
  – Deferment or forbearance use
  – Multiple delinquencies
  – Multiple servicers

Source: EDFUND, Research and Policy Analysis, 3/21/02, Clearing Accounts: The Causes of Student Loan Default
Defaulter Characteristics

- Post-school experiences
  - Filed for unemployment
  - Low wages

Source: EDFUND, Research and Policy Analysis, 3/21/02, Clearing Accounts: The Causes of Student Loan Default

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School Strategies - Reactive

- Incorrect Data Challenge (IDC)
  - Allegations about borrowers’ loans
    - Subsidized and unsubsidized
    - Specific to each cohort
  - Borrowers included/excluded in cohort
    - Enrollment status dates
    - Dates entered repayment
    - Claim paid dates

Purpose = lower cohort default rate
Delinquency Contact Strategy

- Delinquent reports with borrowers from all cohorts
- Identify 2007 cohort borrowers
- Identify 2007 cohort delinquent borrowers
- Identify delinquencies that can impact 2007 CDR
- Focus efforts on these few borrowers

Delinquencies That Matter

- Claims
  - Must be paid by End of Cohort Year (EOCY)
  - Takes approximately 360 days to be paid

  - 10/1/06 to 9/30/08: 360 days to pay claim

- Delinquent dates
  - **After** 10/5/07 unlikely to affect CDR
  - **Before** 10/5/07 can affect CDR

  - 10/1/06 to 9/30/07: Critical delinquencies
  - 10/5/07 to 9/30/08: 360 days to pay claim
Six Steps to Delinquent Counseling

1. Contact the borrower
2. Introduce the call
3. Can borrower make a payment
4. Eligible for deferment
5. Eligible for forbearance
6. Review repayment plans

Source: EDFUND Delinquent Borrower Counseling Guide, L-84

School Strategies - Proactive

A Team Approach
• What is the ultimate goal?
  – Matriculate-Educate-Graduate
• Multiple factors influence default
  – Default prevention is campus wide
• Cohort Default Rates affect everyone!
Default Prevention and Management Plan

1. Entrance counseling
2. Financial literacy for borrowers
3. Communication across campus
4. Exit counseling
5. Timely and accurate enrollment reporting
6. NSLDS Date Entered Repayment report
7. Late stage delinquency assistance
8. Loan Record Detail Report Data review
9. Analyze defaulted loan data to identify defaulter characteristics

Establish Committees

• Red Flag meeting group
  – Increased student success = increased retention = increased graduation = increased employment = less defaults
  – Regular meetings
  – One representative from each department

Establish Committees

• Red Flag meeting group cont.
  – Identify at risk students
  – Make all staff aware of at risk students
    • Establish a red flag e-mail address
    • Any staff member can alert red flag system
  – Follow up with each student
Establish Committees

• **Red Flag** meeting group cont.
  – Discuss why student is having difficulty
    • Tutoring assistance (Academics)
    • Financial assistance (FA)
    • Job assistance (Career Services)
    • Counseling assistance (Student Services)

Involve all departments

• Faculty
  – Extra credit for money management workshops/assignments
  – Tie class work to financial aid
    • Create budget and include financial aid
    • Debate pros and cons of credit card use
    • Write a paper on deferment/forbearance options

Involve all departments

• Registrar
  – Timely and accurate reporting
  – Complete SSCRs more frequently
  – Cross train other departments on importance
    • Inaccurate cohort year
    • Incorrect data challenge difficulties
    • ‘Lost’ grace period
Best Practices

- In-School
  - Help students minimize debt load
  - Discuss all options
  - Encourage interest payments while in-school
  - Have student complete online loan counseling before final meeting with FA

Best Practices

- In-school
  - Financial literacy
    - Use partners resources
    - Curriculum of classroom or workshop courses
    - Utilize resources from all departments

Best Practices

- Grace
  - Contact student several times
    - Educate on consolidation and repayment plans
    - Ensure student has picked appropriate repayment plan
    - Verify demographic information
    - Let student keep e-mail account through grace
    - Early withdrawal counseling
Conclusion

• What a CDR is
• Why it matters
• Who defaults
• What we can do about it

EVALUATIONS AND QUESTIONS
**Handout 1- Direct Loan Processing A-Z**

**Student makes the request for a student loan and is required to complete the following steps:**
- Must accept their award which was offered once the Financial Aid File was completed
- Must request the loan amount
- Must complete an Entrance Interview via studentloans.gov
- Must complete a Master Promissory Note (MPN) via studentloans.gov (after 2nd disbursement)
- Must complete an Exit Interview via studentloans.gov

**School Processes the Origination File:**
- Loan Coordinator calculates their eligibility amounts based on grade level and need analysis *(for SCC student they are required to attend a loan workshop)* New: Must check 150% loan limits for new borrowers
- Award amounts are loaded on to school database (Datatel Schools loan amounts and grade level are updated under AIDE -> DLAN)
- School sends Origination File to COD (COMRECI) (for Datatel Schools it is done via the Mnemonic CODE and must convert the flat file to COMREIN which is stored in the COD SEND DIR table)
- School receives a Response File (COMRECP) (for Datatel Schools it is done via the Mnemonic DOE1)
- School must run a Reject Report and resolve any issues (for Datatel Schools is done via the Mnemonic DCRR)

**School Receives MPN, Entrance, Exit Files:**
- MPN – CRPN13OP (for Datatel school it is done via the Mnemonic DOE1)
- Entrance – CRECMYOP (for Datatel school it is done via the Mnemonic DOE1)
- Exit – EXITFFOP (for Datatel school it is done via the Mnemonic DOE1 -> DLEI) (some Datatel schools must convert this file to DLFFLEXOP first in order to import it)

**School Processes the Disbursement:**
- School set up calendar for disbursement dates
- School runs disbursement from their System (for Datatel Schools it is done via the Mnemonic FATR/FATP. Rules should be written for disbursement such as “must be half-time, making SAP, MPN complete, Entrance Complete, etc...)
- School must send the Disbursement file to COD (COMRECI) (for Datatel Schools it is done via the Mnemonic CODE and convert the flat file to COMREIN)
- School receives a Response File (COMRECP) (for Datatel Schools it is done via the Mnemonic DOE1)
- School receive a Booking File (CRBN13OP) (for Datatel Schools it is done via the Mnemonic DOE1)
- School must run a Reject Report and resolve any issues (for Datatel Schools is done via the Mnemonic DCRR)

**School Reconciliation Process:**
- Unlike Pell Reconciliation, the Direct Loan will receive an automatic file each month via the message class DSD13OP & DSLF13OP
- The School must import the file into their System (for Datatel Schools it is done via the Mnemonic DOE1, then the actual DL SAS Reconciliation Report is ran via DSRR by imputing the Loan Award Codes)

<table>
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<tr>
<th>Student ID Name</th>
<th>Typ Award</th>
<th>Disb High</th>
<th>Awarded</th>
<th>Transmitted</th>
<th>COD Response Seq</th>
<th>SAS Reported Seq</th>
<th>Bkd Code</th>
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<td>1,120.00</td>
<td>1,120.00</td>
<td>1,120.00</td>
<td>1 6</td>
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</table>

If they do not match it could be for one of the following reasons: (Var Code will appear)

**SAS Reconciliation Report**
Year to Date through August 2012

Goal is to have all three columns match

Cont’d Next Page
Setting Up Automatic NSLDS Reports:
These reports may be set up under NSLDS by selecting ORG -> School Profile

There are two possible reports that may be set up to receive automatically in NSLDS and they are:

- Exit Interview - for schools to receive an importable flat file the parameters are:
  - Schools have the choice to receive this file Daily, Weekly, Monthly, or Quarterly
  - For Flat File

- Delinquent Borrower Report
  - This format will give a text version of the file which is easy to read

Update
These reports may be retrieved under NSLDS by selecting Reports-> 21Possible Reports will be available, each with various parameters the school may choose to select. These reports will be sent to the schools SAIG mailboxes with various message classes associated with them.

Report List

Search Report ID: [ ] [Submit]
Other reports from COD which are automatically send on a monthly basis:
(Schools do not need to set these up in advance)
CRPS13OP – Payment to Services (Datatel Schools must import via DOEi)
DIAA13OP – Weekly Anticipated Disbursement List (This is a text file)
CRSP13OP – Plus Acknowledgement Report (Datatel Schools must import via DOEi)
CRWB13OP – This is a response file when the school makes demographic information changes on COD for borrowers
(Datatel Schools must import via DOEi)
MPNEXPOP – This report lists student whose MPN's have expired (Although it is a flat file, Datatel Schools this run this
report via the Mnemonic MPNS based on the SSN’s on the flat file)
MPNINAOP – This report lists students whose MPN’s will expire soon (Although it is a flat file, Datatel Schools this run
this report via the Mnemonic MPNS based on the SSN’s on the flat file)
SNDCPFOP – SSN/NAME/DATE OF BIRTH Change Report (This is a text file)
DUPLPFOP – Duplicate Student Borrower Report (This is a text file)
Complete and Submit your Transmission Schedule Form to the Clearinghouse:

- To get the form: [http://www.studentclearinghouse.org/](http://www.studentclearinghouse.org/)
- Complete and Fax the form: the FAX number is on the bottom of the form
- Annual form submission.
- The Clearinghouse representative suggested that we set our schedule to submit file to them monthly.
- Here is the example of the form:
Update your “Enrollment Reporting Profile” with NSLDS:

- Logon to NSLDS Website: [https://www.nslds.fap.ed.gov/nslds_FAP/default.jsp](https://www.nslds.fap.ed.gov/nslds_FAP/default.jsp)
- Annual Schedule update.
- The Clearinghouse will send our school’s enrollment file to NSLDS based on the schedule we setup here.
- From NSLDS Menu:
  - Enroll (Tab above) ➔ Enrollment Reporting Profile
    - From here you can review, update and create a new schedule for next year.
Request the “Enrollment Reporting Summary Report” from NSLDS: Report ID: SCHER1

- Logon to NSLDS Website: [https://www.nsldsfasap.ed.gov/nslds_FAP/default.jsp](https://www.nsldsfasap.ed.gov/nslds_FAP/default.jsp)
- The Auditor will ask if they can see this report.
- 48 hours turnaround time to receive this report in your SAIG Mailbox (EDConnect).
  - Message class: AHSLDOSP
- From NSLDS Menu:
  - REPORT (Tab above) → click on #15 – SCHER1 (Enrollment Reporting Summary Report).
Enter the Begin Date & End Date ➔ Click “Submit”
Handout 2 - Process for Clearinghouse/NSLDS Scheduling and Requesting Reports

- Example: text file of NSLDS Enrollment Reporting Summary Report (Report ID: SCHER1)

```
REPORT ID: SCHER1

NSLDS ENROLLMENT REPORTING SUMMARY REPORT  REQUEST DATE: 07/14/2012
0S9163700 SANTIAGO CANYON COLLEGE  REQUEST DATE: 07/01/2012  END DATE: 06/30/2012

Message Class: MSLEDIDP
Received from NSLDS through your S405 Mailbox (EDConnect).

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<tr>
<th>WEEKEND</th>
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### Consequences of high official 2-year CDRs

<table>
<thead>
<tr>
<th>Default prevention task force and plan required?</th>
<th>Loss of Title IV program eligibility?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not required, but very good idea to strengthen campus-wide efforts to lower future defaults</td>
<td>No if most recent rate is not above 40%</td>
</tr>
<tr>
<td><strong>3 consecutive 2-year rates are 25% or higher</strong></td>
<td><strong>Yes FDLP and Federal Pell Grant Program eligibility</strong></td>
</tr>
<tr>
<td>Not required, but very important if school hopes to regain Federal Pell Grant Program and FDLP eligibility in future</td>
<td></td>
</tr>
<tr>
<td>Most recent 2-year rate is above 40%</td>
<td><strong>Yes FDLP eligibility</strong></td>
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</tbody>
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### Consequences of high official 3-year CDRs

<table>
<thead>
<tr>
<th>Default prevention task force and plan required?</th>
<th>Loss of Title IV program eligibility?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yes</strong></td>
<td>No if most recent rate is not above 40%</td>
</tr>
<tr>
<td>2 of 3 most recent 3-year rates are 30% or higher</td>
<td><strong>No</strong></td>
</tr>
<tr>
<td>If those rates are for 2 consecutive years, school’s task force must revise their default management plan and re-submit to ED</td>
<td></td>
</tr>
<tr>
<td>3 consecutive 3-year rates are 30% or higher</td>
<td><strong>Yes FDLP and Federal Pell Grant Program eligibility</strong></td>
</tr>
<tr>
<td>Not required, but very important if school hopes to regain Federal Pell Grant Program and FDLP eligibility in future</td>
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</tr>
<tr>
<td>Most recent 3-year rate is above 40% (as of September 2014)</td>
<td><strong>Yes FDLP eligibility</strong></td>
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*Source: ED and TG*
Sample Institution

Default Management Plan

2011-2012

I. Background

Students attending Sample Institution (SU) rely very heavily on financial aid. During the 2010-2011 Academic Year, SU awarded over $17.456 million dollars in Federal Financial Aid (Pell Grant, SEOG, FWS, ACG, etc.). Over this same period of time, SU students received over $17.276 million dollars in loans (Federal Direct Subsidized, Federal Direct Unsubsidized, Federal Direct PLUS, and alternative/private loans). While the awarding of these grants and loans provides SU students tremendous access to educational pathways, the large amount of student loan debt that is being accumulated could result in SU’s Cohort Default Rate (CDR) rising to the point in which our eligibility for receiving Federal Financial Aid could be revoked.

The CDR is the percentage of a school’s borrowers who enter repayment on student loans during a federal fiscal year (October 1 to September 30) and default prior to the end of the next two federal fiscal years. The National FY2008 3-Year CDR for 2-Year Colleges stands at 17.9%. The default rate for SU for the 2008 3-YR Trial CDR was xx.x%. If a school’s CDR reaches or exceeds the 30% threshold, it will be required to submit a Default Management Plan to Federal Student Aid (FSA) for review. If the school’s CDR stays at 30% or higher for two more consecutive years, it risks losing eligibility to participate in all Federal Grants, Loans, and Work Study.

<table>
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<td>3-Yr CDR</td>
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</tbody>
</table>

X Office at SU has the responsibility to implement and monitor default prevention activities. The Department of Education requirements relative to cohort default rates have been reviewed and SU staff have developed a strategy to mitigate delinquency and default to ensure a declining CDR over time.

Challenges -- Sample Institution received the Draft FY2009 3-Year CDR of xx.x% on March 5, 2012. The list of borrowers in default has been reviewed and has identified xx borrowers that will be submitted in challenge to the CDR reported by the Department Of Education. If the challenges are accepted the default rate is anticipated to drop, estimated at xx.x %. The Official Default Rate will be received in September 2012. Per federal requirement, SU will need to submit a Default Management Plan once the official default rate is received. In anticipation of this, SU administration is committed to being proactive in the school’s efforts to assure that our CDR does not continue to increase past our current level and, in fact, decreases. The formulation of a structured approach is now imperative and must be a college wide initiative to prevent the default rate from continuing to increase at or above 30%. If the default rate remains at the 30% level for three consecutive years, the potential loss of financial aid funds will have severe consequences and impact on the college, students and the local community.
II. Data

In March 2011 the Director of Financial Aid researched the FY2009 2-Year CDR to review the defaulters and determine which students were defaulting. The following are the characteristics of the FY2009 2-Year defaulters (299 defaulters in the cohort of 1,285 students) (and it should be noted that these characteristics very closely matched the FY2007 2-Year CDR defaulters’ characteristics):

- Average defaulter owed $6,886. (Total defaulted loan dollars $2,058,957/299 defaulters)
- 76% owed $1-$10,000
  - 19% owed $10,001-$20,000
  - Only 5% owed $20,000+
- 77% are Independent students (as determined by the Free Application for Federal Student Aid or FAFSA)
- 76% received a Pell Grant (indicating low-income students who typically qualify for a Pell Grant)
- 67% were freshman
- 88% had a last enrollment status of “Withdrawn”
- 85% did not graduate
- 72% had a Satisfactory Academic Progress (SAP) problem
- 77% had at least one remedial class
  - Of these students 89% had at least one remedial math class
- Pathway designations below accounted for 74% of all of the FY 2009 defaulters:
  - Three majors accounted for 49% of the defaulters
    - AGS (67 students)
    - AA (50 students)
    - Certificate of Health Care Support (29 students)
  - Additional areas accounted for another 25% of the defaulters
    - Automotive Collision/Automotive Technology (20 students)
    - Business Management/Business Technology (21 students)
    - Welding (18 students)
    - Criminal Justice (15 students)

- Campus location
  - Campus A 79%
  - Campus B 10%
  - Campus C 6%
  - Campus D 3%
  - Campus E 2%

General analysis of the data shows that the primary problem is related to retention – students only attend a few semesters, borrow an average of $6800 (this disproves earlier assumptions that the main problem lay with students accumulating high loan debts), and then drop out (usually on academic or financial aid probation or suspension) without completing a certificate or degree. Without obtaining an academic credential students then have difficulty obtaining better employment and have trouble repaying their loans.

On November 23, 2011 the Coordinator/Research Analyst of the Institutional Research (IR) Office, presented information to the Project Team (grant awarded to SU in Fall 2011) in reference to the default rate. The data was obtained from the Federal Student Aid Data Center. The comparison of SU to peer colleges was analyzed. The document showed that SU has a larger percentage of students who receive loans at 34%. The comparison of three-year default rates of the above students shows the overriding economic effect of recent years to be similar throughout the country. Although SU’s steadily rising default rate is noted, it is graphed as the second highest rate incline with a XXXX
College having the largest increase in their default rate. Additionally, public institutions have not been impacted by the economic effects as drastically as private higher education institutions with some of these cohort rates higher than 50% for FY 2008. Colleges with improvements in their default rate were identified and offered as resources for SU to consider in the development of strategies and best practices.

Additional research and statistical analysis of SU students and alumni will be on-going with the IR Office.

III. Previous Strategies and Efforts

Before implementing the default management plan, SU conducted an informal analysis of the rising SU default rate. Based on the changes and the increase of the 2-Year CDR and with the introduction of the 3-Year CDR per Federal Regulations, the XXX Office at SU has implemented the following:

Processes/Efforts with Direct Impact

- Fall 2009 – Required in-person Entrance Loan Counseling for all Campus Students.
  - Other students are required to do on-line Entrance Loan Counseling.
- Fall 2009- All loan applicants must submit Additional Loan Request (ALR) form for an extra Unsubsidized Loan. This ALR form requires the student to identify their career goals, current and projected student loan debt, and a future budget based on their stated career goals to include their monthly student loan payment.
- Spring 2009 – Analyzed FY2007 2-Year CDR defaulters.
- Fall 2010 – Adopted the Department of Educations’ Sample Default Management Plan.
- Spring 2011 – Analyzed FY2009 2-Year CDR defaulters.
- Summer 2011- Hired Default Prevention Coordinator for prevention intervention of at-risk SU enrolled students. Examples of at-risk students are those on FA SAP Warning or Probation for poor academic progress, or those students identified in the Early Alert System.
- Fall 2011 – Contracted with Nelnet for “Responsible Repay” program – utilized to contact alumni with student loans in delinquent status for both Nelnet’s own assigned DMSU borrowers as well as DMSU borrowers with other loan servicers (such as Sallie Mae, ACS, and Great Lakes) above the required contacts required by federal regulations.
- Fall 2011- Developed Customer Solutions Center (CSC):
  - Answered all phone calls to Financial Aid and allowed more time for processing FA verifications, loans and student interaction with the FA Advisors.
  - CSC also provided additional support in contacting alumni with follow up in regards to mailed Exit Counseling materials (required when borrowers fall below 6 credit hours).
- Fall 2011- Added R2T4 list to be contacted by Default Prevention Coordinator for prevention intervention.
- Fall 2011-Upon needing a signature on an Official Withdrawal form in the FA Office, staff checked loan history and directed student to Default Prevention Coordinator for prevention intervention.
- Spring 2012- Contracted with USA Funds for Borrower Connect, a software program for in-house delinquency intervention by the Default Prevention Coordinator.

Processes/Efforts with Indirect Impact

- Summer 2008- Academic Advising Department created and centralized advisors.
- Fall 2009- AAA STEPS to Success class added to DMSU Basic Skills Requirements.
- Fall 2009- Implemented revised New Student Orientation including “Financial Success” session.
• Spring 2010-Reinstated Drop for Non-Payment.
• Fall 2010- SU Financial Aid Newsletter distributed quarterly to all students and staff.
• Fall 2010- Implemented FAFSA Award Pending deadline one week prior to start of semester classes.
• Spring 2011-Registration closes on Friday before first day of semester classes.
• Fall 2011- Received $25,000 PEER Advocates for Student Success (PASS) grant from USA Funds to implement financial literacy.
• Spring 2012-SAP Appeals Process modified including implementing required submission of Academic Plan (via a completed Curriculum Sheet) and Registration Holds until Eligible for Aid status achieved.
• Spring 2012 – Campus-wide communication begun. FA Director and VPSS updated “Monday Morning Huddle”, and attended all three academic division meetings to describe the CDR and the potential impact on the college.

IV. Current Approach

The Financial Aid Director (FA Director) and Vice President of Student Services (VPSS) have identified a multi-discipline membership for a Default Management Task Force (DMTF) and it has been assembled.

DMTF Purpose and Objective:

The purpose of the Task Force is to assist in analysis, advice, and suggestions for lowering the Cohort Default Rate (CDR), assist in garnering college wide awareness and support to improve/change college policies and procedures with recommendations to Cabinet.

The Task Force will be responsible for developing a Default Management Plan for Sample University. They will be responsible for implementation, evaluation and modification of the plan based on data analysis of SU financial aid statistics. The goal is to decrease the current default rate below the identified Federal threshold, provide practices and protocols for financial aid awarding and disbursement at SU, align with Federal Compliance, provide resources to students for financial literacy, and increase awareness of the default plan and financial aid protocol throughout the college.

Frequency of Meetings: Initial meeting occurred on December 2, 2011 followed by the next meeting on March 9, 2012. Future meetings will be held monthly on the first Friday of each month at 10:00 AM.

Members

Director of Financial Aid (Committee Chair), Vice President of Student Services, Director of Admissions and Records, Director of Advising, all Financial Aid Advisors, Default Prevention Coordinator, Co-Chair of Retention Task Force (faculty), Coordinator/Research Analyst, Cashier Office Supervisor, Director of Recruitment, Coordinator of Customer Solutions Center, Assistant Director of Student Life, Administrative Assistant (Committee Secretary).

This group has met and has begun to formulate a four-prong approach that will address (A) Retention Strategies, (B) Financial Literacy/Awareness for all constituents of Default Management Sample University, (C) Debt Management for DMSU students who apply for and receive student loans, and (D) Default Management for DMSU Alumni who have borrowed student loans.

A. Retention Strategies (Timeline - Summer/Fall 2012)
The college is embarking on an ambitious plan to strengthen the retention of its students. Protocols are being added, revised or enhanced to increase the current SU retention rate. Although the strategies for retention are not based on the Financial Aid Cohort Default Rate, per Federal Guidelines, SU is noting the guidance to go beyond financial aid processes and will be integrating the retention strategies to address the whole student. Addressing the student in multiple areas of admissions and enrollment processes, academic achievement, and financial responsibility will add additional depth to this plan as well as involve the College Registration holds on all new students.

1. Credit hour limit (up to 11.5 credits) for students who test into two or more College remedial classes.
2. Policy for enrolling in and passing AAA 098, STEPS to Success (freshman success course).
3. Review and revise the “No show”, “Drop”, and “Withdrawal” policies.
4. Review certificate offerings and time to completion.
5. Training for faculty and staff on retention cohort.
6. Retention cohort action plan.
7. Implementing “Course Signals” College wide (Early Alert System)

B. Financial Literacy/Awareness for all constituents of Sample Institution (Timeline – Spring 2012)

This will be a broad sweeping initiative outreaching all constituents at DMSU, faculty, staff and students. Outreach programs will be designed around curriculum opportunities, workshops, financial literacy TV, portal enhancements, guest lecturers and other resources as identified. The Task Force will engage student life, student organizations, faculty and staff in order to reach most members of campus. The goal will be to bring the issue of financial literacy to the forefront and provide our college community with avenues for our students to learn and incorporate strategies for becoming financially healthy. This also aligns with the SU AQIP Goal of Valuing People.

1. Student Outreach
   - Financial Aid Newsletter-monthly publication
   - PASS Grant Awarded in September 2011.
     - Implementation of USA Funds Life Skills curriculum in AAA 098 STEPS to Success
     - Development of student peer mentors for financial responsibility
     - Title initiative as SAFE
   - College Goal Sunday
   - FAFSA Workshops ( FAFSA Free For All)
   - New Student Orientation
   - Develop mentoring program

2. Faculty outreach
   - Financial Aid Newsletter
   - Attend Division Meetings once per semester
     - Default awareness
     - Change in withdrawal policy- focus on attendance

3. Staff awareness
   - Financial Aid Newsletter
   - Attend department meetings once per semester
C. Debt Management for SU students who apply for and receive student loans (Timeline - Spring/Fall 2012)

The overriding belief is that this needs to be comprehensive, individualized and structured to provide accurate information and initiate a pathway for student financial awareness and success. Implementing requirements at SU for all student loans, communicating the process and holding students accountable for their financial debt are critical. Student intervention, prevention and coaching strategies will be included which will involve increased staff time at the onset. But the intent is the long term relationship that will be established, an increase in student learning, accountability, and lower student loan debt, and ultimately an acceptable and manageable cohort default rate.

1. Enhanced Entrance Loan Counseling
   - All residents of XXXXX County and those students that attend the XXXXX campus are required to attend an in-person Entrance Loan Counseling session.
   - Students at the other campuses may utilize the on-line Entrance Loan Counseling website. Research possibilities of in-person sessions for these students as well.
   - By Fall 2012 all SU Financial Aid students will attend the in-person Entrance Loan Counseling session.
   - Collect additional contact/reference information (physical addresses, telephone numbers, email addresses, social networking sites, etc.).
   - Required USA Funds Lifeskills courses (To be determined).

2. Student Loan Processes
   - The FA Office will continue to award the base offer amount only.
   - Students must first accept the base offer amount online on the Student Portal.
   - After accepting the base offer amount through the Portal, students that wish to request the extra unsubsidized loan must complete the “Additional Loan Request” (ALR). The ALR form requires the student to identify their career goals, current and projected student loan debt, and a future budget based on their stated career goals to include their monthly student loan payment.

3. At-risk Students
   - The Default Prevention Coordinator will obtain lists of all students on SAP Warning and Probation, identify student loan borrowers, and then contact them to set up a meeting with the to discuss their current loan debt, repayment obligations, repayment options, etc. These students will have registration holds placed on their account and must meet with an academic advisor to adjust their course schedules within the academic plan. They will also be required to complete USA Funds Lifeskills courses (to be determined). The registration hold will remain in effect until the student regains eligibility for financial aid
   - The Default Prevention Coordinator will obtain lists of students identified by the Early Alert System, identify student loan borrowers, and contact them to set up a meeting to discuss their current loan debt, repayment obligations, repayment options, etc. A Registration hold may be implemented based on academic progress.
   - The financial aid advisor responsible for completing Return of Title IV Funds (R2T4) calculations will modify the letter that is sent to each R2T4 student to include language that alerts students with loans that they must make an appointment with the Default Prevention Coordinator to
discuss their current loan debt, repayment obligations, repayment options, etc. A Registration
hold may be implemented based on academic progress.

4. Reduce or Deny Student Loans on a Case-By-Case Basis
   • In accordance with the Higher Education Act [Amd. 1998 – Title IV, Part F, Section 479A(c)]
     [Code of Federal Regulations: 34 CFR 682.603(e)] a school may refuse to certify a loan (or a
     portion of a loan) if the reason is documented and provided to the student in writing. As part of
     SU’s default management effort we evaluate every loan application individually and review all
     relevant criteria including but not limited to debt ratio, academic progress, and educational
     goal. If a student loan is reduced or denied we will provide a written notification to the student
     with the reason(s) included. The student will be referred to the Default Prevention Coordinator
     for intervention. A registration hold may be placed on the student’s account.

D. Default Management for SU Alumni who have borrowed student loans (Timeline – Spring/Fall 2012)
Students who graduate or leave SU (i.e. alumni) are responsible for repaying their incurred student loans 6
months past the last date of attendance. The assumption that students are aware of their options for repayment
and have a thorough understanding of their financial obligations is unrealistic. Therefore the College must
continue proactive interventions to assist the alumni in their financial responsibility.

1. Internal processes
   • The Default Prevention Coordinator (with assistance from the Customer Solutions Center) will
     contact students on the monthly Exit Counseling List to ensure they received their packet of
     information and to recommend that they set up an appointment to discuss their current loan
     debt, repayment obligations, repayment options, etc.
   • The Financial Aid Office will access and utilize reports from the National Student Loan Database
     System (NSLDS) such as Delinquent Borrower Reports, Date Entered Repayment Reports, etc. on
     a monthly basis.
   • The Financial Aid Office will receive, review and challenge the draft default rate data using the
     Loan Record Detail Report (LRDR) and work with servicers for corrections.
   • The Financial Aid Office will work with borrower delinquency reports from loan servicers and
     assist them with skip tracing, if necessary, utilizing the additional contact information received
     at Entrance Loan Counseling.
   • The Financial Aid Office will assist potential SU graduates to prepare for financial repayment
     responsibility by offering Exit Loan Counseling sessions, USA Funds life Skills modules, etc.
   • The Graduation Requirement form will be modified to include the requirement of Exit
     Loan Counseling.

2. External resources
   • Third party delinquency assistance
     o Sample Institution implemented an agreement with Nelnet’s “Responsible Repay” in fall
       2011.
     o Nelnet’s services/responsibilities are to contact delinquent borrowers beyond the
       standard requirements for the students in their portfolio as well as students in other
       student loan servicers (such as Sallie Mae, ACS and Great lakes) portfolios.
   • USA Fund’s “Borrower Connect”
Sample Institution implemented an agreement with USA Funds to use their “Borrower Connect” software beginning in January 2012.

- This software allows SU to import delinquent student files from NSLDS and create custom mail and email notifications.
- Due to the prior relationship with USA Funds (PASS Grant) this new service will be provided for free for one year to SU.

- Department Of Education’s Default Prevention Team
  - Contacted the Department of Education’s Default Prevention Team for default prevention assistance.

V. Timeframe

This Default Management Plan will be communicated to the President for her/his review, and for any suggestions and concerns he/she may have for the Task Force. The Task Force will continue planning and implementation in order to meet the various timelines identified above.

VI. Review and Modifications

It will be the responsibility of the Financial Aid Director and VPSS to gather data through the Institutional Research Office and the Financial Aid Office. Data, outcomes, changes in federal requirements and other relevant information will also be presented to the Task Force who will then modify the plan and implement and modify accordingly. This default management plan will be regularly reviewed and adjusted as needed.

VII. Feasibility of Resources at SU

Human, financial and physical resources are adequate at this time to adopt additional strategies for delinquency and default management. An assessment of requirements will be an ongoing task to ensure that resources are available to meet those requirements.

Human Resources

Currently the financial aid staff (10.5 FTE) are responsible for processing financial aid applications including loans. Prior to the implementation of the Customer Solutions Center (CSC), staff were challenged with an overwhelming work load, which resulted in frustration for students, delayed awards and other office inefficiencies. The back log of processing and imaging increased significantly and the possibility of adding additional support to students in the areas of early default intervention was not possible. Implementation of the CSC has significantly improved the processing of financial aid at SU. A recent report of the accomplishments and outcomes of the CSC was presented and validated the overall positive impact. Because of the CSC, staff work load is up to date, scanning of documents is current (previously there was a 2 year back log) and student complaints have decreased.

The additional human resources (3 FTE) at SU have provided a much needed support for the understaffed department. Although the staffing in the financial aid department is below national standards, the redirection of front line intervention through the CSC has been significant in providing the financial aid staff more time for processing, improving efficiencies in office operations and the ability to address strategies for default management. For example, with the implementation of the CSC, the number of student files “packaged” (i.e. the student file was finished and awards were
offered) increased from 4,522 during the Fall of 2010 before the first big disbursement to 5,544 in Fall 2011 (1,022 more students packaged) – which is an astounding 23% increase over the prior year.

**Physical Resources**

The renovation of the student center, which houses the Financial Aid Department, includes a larger area to house SU’s GoZone – one-stop enrollment center. The financial aid staff will be located in the same office area as all GoZone staff. Prior to the renovation, the Financial Aid Office had one staff member in the GoZone, which was not ideal in effective communication and customer service. The centralization of Financial Aid, Academic Advising, Admissions and support staff will be beneficial in working as a team for students, improving efficiency and future changes for managing the default rate through staff awareness.

Training of the GoZone staff has included the area of financial aid processes and access to student information as needed. Students are able to get information about their financial aid award at multiple points as they progress through the enrollment/registration process. This has decreased the need to always see a financial aid advisor affording financial aid staff more time to address loan counseling and intervention.

**Financial Resources**

Financial resources for staffing at the current level remains intact with additional budgeting for outsourcing for repay options (i.e. services such as Nelnet’s Responsible Repay).

**Current State**

Sample Institution has been engaged in default strategies prior to and during the development of the plan. The current state is reflected below.

**Challenging the Draft Default Rate**

The list of borrowers in default has been reviewed and has identified xx borrowers who will be challenged to the Department Of Education. If the challenges are accepted the default rate is anticipated to drop to an estimated at XX.X%. The official CDR will be received in September. The Director of Financial Aid has been in contact with a reviewer of challenges at the Department of Education to clarify any potential challenges; to become aware of what is permissible; and to ensure that all potential challenges are submitted prior to the deadline.

**Utilizing External Resources**

As stated, SU entered into an agreement with Nelnet who has been working with Delinquent borrowers before they enter default status. The original agreement was a more comprehensive package but at the direction of the VPAF per the CCCS directive, SU was unable to secure the extensive option. Nelnet has helped reduce the status of approximately XXX students from delinquency to good standing from beginning in September 2011 to December 2011 - preventing this number from entering into the default status (the number of students Nelnet is working with has since spiked due to the addition of working with delinquent borrowers from ACS). It is anticipated that this proactive approach will have a significantly positive impact on the next CDR calculation for SU, and is integral in continuing to drive the rate down. Sample Institution is committed to funding this external service and is anxiously awaiting the final outcome of the RFP for the awarded agency that will be able to expand these services and assist in the default management of students that have left SU.
**Customer Solutions Center**

The addition of the Customer Solutions Center (CSC) has reduced the number of phone calls to the Financial Aid Office as well as assisted current students in completing their financial aid package. Prior to the implementation of the CSC, SU had over 64,402 phone calls to the Financial Aid Office in 60 days. This was reduced to 7,687 phone calls during the same time frame with the CSC in operation. Handling the phone calls allowed Financial Aid Advisors more time to process packages (23% increase over the prior year) as well as more time to meet with students individually. With the implementation of the CSC, there was a 59% increase in financial aid funds distributed to students for the first financial aid disbursement date. The three additional CSC staff members has added much needed resources in Financial Aid for expanded information and customer service for students.

**Financial Literacy Grant**

USA Funds awarded SU a $25,000 grant for financial literacy. Implementation of financial education units (*USA Life Skills*) to the *AAA 098 STEPS to Success* course has begun. The student peer mentoring project has identified six students who are serving as mentors and developing the project. A student workshop, *RichGrad*, was held recently and was the first of many financial sessions for all students.
Why are cohort default rates important?
Defaulted federal student loans cost taxpayers money. Cohort default rate sanctions and benefits provide an incentive to schools to work with their borrowers to reduce default. Sanctions also can prevent a school with a high percentage of defaulters from continuing to participate in the William D. Ford Federal Direct Loan (Direct Loan) and Federal Pell Grant programs. As a result, cohort default rates help save taxpayers money.

Why is it important to review the data for DRAFT cohort default rates?
Although there are no sanctions or benefits associated with a draft cohort default rate, it is important to review the data used to calculate the rate for accuracy, because this data forms the basis of a school’s official cohort default rate. A school that fails to challenge the accuracy of its draft cohort default rate data through an Incorrect Data Challenge (see Chapter 4.1) may not contest the accuracy of that same cohort data when it receives its official cohort default rate. Therefore, it is critical that all schools review their draft cohort default rate data when the U.S. Department of Education (the Department) releases it. In addition, in certain circumstances a school may be able to avoid the sanctions associated with its official cohort default rate by submitting a successful Participation Rate Index Challenge (see Chapter 4.2) based on its draft cohort default rate.

Will a school’s DRAFT and OFFICIAL cohort default rate data be the same?
No, a school’s draft cohort default rate data and official cohort default rate data will not necessarily be the same. The National Student Loan Data System (NSLDS), which contains the data used to calculate cohort default rates, is updated regularly. As a result, a school’s draft cohort default rate data may differ from its official cohort default rate data even if the school does not challenge the draft cohort default rate data. In addition, “average rate” schools – schools having fewer than 30 borrowers entering repayment in their most recent cohort year – will have included in their draft rate data only those borrowers who entered repayment in that year, whereas the “official rates” for these schools will include not only that data but also the data regarding borrowers who entered repayment in the preceding two fiscal years.
Are there any benefits for schools with low official cohort default rates?

Yes, there are two benefits available to schools with a low official cohort default rate, as described in the chart below.

**Benefits for schools with low official cohort default rates**

<table>
<thead>
<tr>
<th>Eligible School</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A school whose most recent official cohort default rate is less than 5.0 percent</td>
<td>May disburse loan proceeds in a single installment to a student studying abroad regardless of the length of the student’s loan period.</td>
</tr>
<tr>
<td>and is an eligible home institution that is originating loans to cover the cost of attendance in a study abroad program</td>
<td>May choose not to delay the disbursement of the first installment of loan proceeds for first-year first-time borrowers studying abroad.</td>
</tr>
<tr>
<td>A school with a cohort default rate of less than 15.0 percent for each of the three most recent fiscal years for which data are available, including eligible home institutions and foreign institutions,</td>
<td>May disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period.</td>
</tr>
<tr>
<td></td>
<td>May choose not to delay the first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers.</td>
</tr>
</tbody>
</table>

These benefits take effect as soon as the school receives its official cohort default rate notification letter or notification of a successful adjustment and/or appeal from the Department. Schools no longer qualify for these benefits starting 30 calendar days after receiving notice from the Department of an official cohort default rate that exceeds the benefit threshold.
**Are there any sanctions associated with high official cohort default rates?**

Yes, sanctions apply when a school’s *official* cohort default rate is at or above certain percentages.

### Sanctions for schools with high official cohort default rates

<table>
<thead>
<tr>
<th>School</th>
<th>Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A school’s three most recent <em>official</em> cohort default rates are 25.0 percent or greater for the two year calculation, or 30.0 percent or greater for both the three year calculation.</td>
<td>Except in the event of a successful adjustment or appeal, such a school will lose Direct Loan and Federal Pell Grant program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.</td>
</tr>
<tr>
<td>A school’s current <em>official</em> cohort default rate is greater than 40.0 percent, for both the two year and three year CDR calculation.</td>
<td>Except in the event of a successful adjustment or appeal, such a school will lose Direct Loan program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.</td>
</tr>
</tbody>
</table>

**NOTE:** A school is not subject to the loss of Federal Pell Grant Program eligibility if, prior to October 7, 1998, the school requested in writing to withdraw from or lost its eligibility to participate in the FFEL and/or Direct Loan programs and has not subsequently participated in those programs. In addition, a school is not subject to the loss of Federal Pell Grant Program eligibility if it did not certify any FFELs and/or originate any Direct Loans on or after July 7, 1998. A school that resumes participation in the FFEL or Direct Loan programs is no longer eligible for either of these Federal Pell Grant Program exemptions.

*No school sanctions will be applied based on the three year cohort default rate calculation until there have been three consecutive years of such rates calculated. This means that sanctions based on the three year cohort default rate calculation will begin in 2014, with the release of the FY 2011 cohort default rate.*
Can a school avoid the sanctions associated with high official cohort default rates?

If a school is notified that it is subject to sanction, the school may submit an adjustment or appeal to attempt to avoid that sanction. Adjustments and appeals are available to schools after the release of the official cohort default rates. Challenges are available to schools after the release of the draft cohort default rates, and may also result in avoidance of a sanction.

The following chart summarizes the actions a school may take. Schools not subject to loss of eligibility and schools subject to provisional certification based on cohort default rates may only take a limited number of these actions. See Chapter 3.1, “Reviewing Rates and Loan Data,” for an overview of the actions schools may take. For more information, including detailed explanations of each action and the timeframes for taking an action, see Part IV of this Guide, “Challenges, Adjustments, and Appeals.”

School actions in response to cohort default rates

<table>
<thead>
<tr>
<th>Draft/Official</th>
<th>Type of Action</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft</td>
<td>Incorrect Data Challenge</td>
<td>Correct data before the official cohort default rates are released.</td>
</tr>
<tr>
<td>Draft</td>
<td>Participation Rate Index Challenge</td>
<td>Demonstrate a low borrower participation rate to avoid an anticipated sanction with the official cohort default rate.</td>
</tr>
<tr>
<td>Official</td>
<td>Uncorrected Data Adjustment</td>
<td>Contest a data error that was agreed upon in the draft process but is still reflected in the official cohort default rate data.</td>
</tr>
<tr>
<td>Official</td>
<td>New Data Adjustment</td>
<td>For a school that is not subject to sanction, contest official cohort default rate data that was not included in draft cohort default rate data or that is different from the draft cohort default rate data.</td>
</tr>
<tr>
<td>Official</td>
<td>Erroneous Data Appeal</td>
<td>For a school that is subject to sanction, contest official cohort default rate data that was not included in draft cohort default rate data (new data) and/or contest the data manager’s decision (disputed data).</td>
</tr>
<tr>
<td>Official</td>
<td>Loan Servicing Appeal</td>
<td>Contest servicing of the borrower’s loan account.</td>
</tr>
<tr>
<td>Official</td>
<td>Economically Disadvantaged Appeal</td>
<td>Demonstrate a high number of low-income students and high placement or completion rates.</td>
</tr>
<tr>
<td>Official</td>
<td>Participation Rate Index Appeal</td>
<td>Demonstrate a low borrower participation rate.</td>
</tr>
<tr>
<td>Official*</td>
<td>Average Rates Appeal</td>
<td>Demonstrate a low number of borrowers.</td>
</tr>
</tbody>
</table>

Before notifying you of your official cohort default rate, we make an initial determination about whether you qualify for these appeals.
Are there any consequences if a school submits adjustments and/or appeals but fails to avoid sanctions?

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

If a school is subject to a sanction, when does the sanction take effect?

The effective date of the sanction is dependent upon whether or not the school timely submitted an adjustment or appeal, and the current sanction status of the school. The chart below summarizes the effective date of sanctions based upon these circumstances.

### Effective date of sanctions

<table>
<thead>
<tr>
<th>School is NOT Currently Under Sanction</th>
<th>School IS Currently Under Sanction</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Does <strong>Not Timely Submit</strong> Adjustment or Appeal</td>
<td>The school's participation ends 30 calendar days after the date the school first receives notice that it is subject to the loss of eligibility.</td>
</tr>
<tr>
<td>School <strong>Timely Submits</strong> Adjustment or Appeal, but <strong>Adjustment or Appeal is Unsuccessful</strong></td>
<td>The school's participation ends on the date that the school received the Department’s final decision indicating that the adjustment and/or appeal was unsuccessful. A school may choose not to participate during the period to avoid incurring a liability.</td>
</tr>
<tr>
<td>School <strong>Timely Submits</strong> Adjustment or Appeal, and <strong>Adjustment or Appeal is Successful</strong></td>
<td>The Department will withdraw the notification that the school is subject to a loss of eligibility.</td>
</tr>
</tbody>
</table>
A school that loses eligibility may continue to honor unpaid loan commitments and make certain second disbursements after notification of the loss of eligibility if the school meets certain criteria listed in the CFR. The criteria can be found at 34 CFR 668.26(d).

The official cohort default rates must be released no later than September 30th. If, however, cohort default rates are not issued until after that date, a school’s loss of eligibility would continue only for the remainder of the fiscal year in which the cohort default rates are issued and for the following fiscal year. For example, if the Department issues cohort default rates for FY 2009 on October 2, 2011, then a loss of eligibility that is based on the FY 2009 cohort default rate would continue only for the remainder of FY 2011 (the fiscal year in which the cohort default rates were issued) and to the end of FY 2012.

**How does a school withdraw from or reapply for participation in the Title IV loan programs?**

A school should contact COD School Relations Center at 1-800-848-0978 for information on withdrawing from the Direct Loan Program.

A school that loses Direct Loan or Federal Pell Grant eligibility may reapply for participation when the sanction period ends. A school should apply online at (eligcert.ed.gov).