

## FREQUENTLY ASKED QUESTIONS

### Where can I get a copy of the Cohort Default Rate Guide for Guaranty Agencies and Lenders?

The guide can be found on the IFAP website at: [Cohort Default Rate Guide for Guaranty Agencies and Lenders](#) or you can contact the Partner Eligibility and Oversight Services, Cohort Default Rates Group at 202-377-3053.

### What is a cohort default rate?

The term cohort default rate is defined in Section 435(m) of the *HEA*.

### What is a 3-year cohort default rate (CDR)?

An organization's cohort default rate is the percentage of borrowers who enter repayment on certain loans in Federal Family Education Loan (FFEL) Program during that fiscal year and default (or meet other specified conditions) before the end of the **second fiscal year**.

The formula for calculating the 3-year cohort default rate is described below.

$$100 \times \frac{\text{\# of students who entered repayment in FY 2017 and defaulted on or before the end of FY 2019 (Numerator)}}{\text{\# of students who entered repayment in FY 2017 (Denominator)}}$$

### When are 3-year cohort default rates released?

The Department releases cohort default rates twice each year. Generally, the Department releases draft 3-year cohort default rates in January or February. Official cohort default rates are generally released to guaranty agencies and lenders and the public approximately six months after the release of the draft cohort default rates. However, the official cohort default rate must be released no later than September 30<sup>th</sup> of each year. After guaranty agencies/lenders receive their official cohort default rate data, guaranty agencies/lenders are provided an opportunity to identify and correct any inaccuracies by submitting a data correction request.

### How does the Department send cohort default rate information to Guaranty agencies and lenders?

NSLDS has added the CDR Notification Letter (DRCNL3) on the [NSLDS Professional Access](#) website for Guaranty Agencies (GA) and Lenders. As indicated in the Fiscal Year 2015 Official Cohort Default Rate letter, this letter replaces the Official Cohort Default Rate letters previously received via email/US Postal Service. To access the GA and Lender CDR Notification Letter, click on the Web Report List link under the Report tab. This letter allows GA and Lenders users to request their GA and Lender CDR Notification Letter on demand in PDF format. Guaranty Agencies and Lenders are only able to obtain a copy of their CDR Notification Letters via the [NSLDS Professional Access](#) website.

### When is a loan considered to be in default?

A loan is considered in default for cohort default rate purposes if the guarantor paid a claim during the cohort period with a claim reason of default. Closed schools and false certification claims were included in the calculation prior to February 2003.

**Where does the Department obtain the data for calculating the lender, holder and guaranty agency cohort default rates?**

The FY 2017 three-year cohort default rates are calculated based on data reported to the NSLDS by the guaranty agencies. The NSLDS data submitted by the guaranty agencies was prepared according to procedures developed by the Department and reflect activity through Sept. 30, 2019.

**How is the numerator calculated?**

If a student entered repayment in FY 2017 (for the three-year calculation), defaulted on his or her loan, and a default claim was paid by Sept. 30, 2019, the student is counted as in default in the FY 2017 cohort default rate calculation, even if the student later enters into a repayment arrangement with the guaranty agency or repays his or her loan in full to the guaranty agency. The date entered repayment is reported by guaranty agencies to NSLDS on the guaranty agency submittal file.

**How is the denominator calculated?**

The denominator is the total number of students that entered repayment in the FY 2017 (for the calculation) cohort year. If a student had more than one loan in NSLDS the student will be counted only once. However, if a student borrowed from more than one lender or guaranty agency, he or she is counted in the calculation for **each** lender or guaranty agency.

**Are discharged loans included in the cohort default rate?**

Loans that are discharged due to death are counted in the FY cohort default rate calculation as part of the denominator. Loans that are discharged due to death are not counted in the FY cohort default rate calculation as a part of the numerator **if** the guaranty agency was officially notified of the death **before** a default claim was paid.

**What opportunity will guaranty agencies, lenders, and holders have to correct the data?**

Any guaranty agency/lender that receives a cohort default rate has the right to correct their rate, but they must provide supporting documentation for a rate change. To correct the cohort default rate, the lender or holder must first request the back-up data printouts from the NSLDS website at <https://nslsdfap.ed.gov>. The back-up data printouts comes from the data that was electronically reported to NSLDS by the guaranty agencies. For details, see "Data Corrections" on page 10.

After requesting and reviewing the data, a lender or holder may contest its cohort default rate by providing the guaranty agency(ies) with any relevant documentation to support its contention that the data is incorrect and should be changed. The guaranty agency must review the documentation and determine whether it agrees that the data is incorrect. The guaranty agency must notify the lender or holder and the Department in writing, of its conclusion. The Department will make the final decision on the correction(s).

**What is the process for data corrections for lenders and holders?**

For details, see "Data Corrections" on page 10.

### **What type of allegations may a guaranty agency or lender submit as a data correction?**

Data Conflicts

For details, see “What is a Data Conflict” on page 11.

### **What is the difference between an originating lender/holder and the current lender/holder?**

The Originating lender represents the entity that provided and originated the loan to the borrower. The Current lender or subsequent holder represents the last entity to hold the loan at the time the cohort default rate was calculated.

### **Which NSLDS loan type codes are included in the calculation of the cohort default rates?**

All subsidized Federal Stafford (SF and D1), Unsubsidized Federal Stafford (SU and D2), and Federal Consolidated Loans (CL, D5 and D6) comes with specific rules. All other FFELP loans types are excluded.

Federal Consolidation Loans (CL) is linked back to the underlying loans paid by consolidation. If the underlying loan entered repayment and is included in the denominator and the Consolidation Loan defaults in the cohort period, the borrower will be counted in the numerator for cohort default rate purposes.

Borrowers of Subsidized Federal Stafford, Unsubsidized Federal Stafford, and Federal Consolidation Loans that repaid Federal Stafford or will be included in the calculation of cohort default rates. Loans made under a Lender-of-Last-Resort Program are not used in the calculation. Loans that are transferred from one guaranty agency to another are included for the current guaranty agency’s cohort default rate unless the loan had a default claim within the cohort period and prior to the transfer.

### **Which NSLDS loan status codes are included and excluded from the cohort default rate calculation?**

All NSLDS loan status codes are included in the cohort default rate calculation except abandoned (AL), uninsured (UA, UB, UC, UD, and UI) and cancelled (CA) loan status codes.

### **How can I get a copy of my loan record detail report?**

Log on to the NSLDS Professional Access website at <https://nslidsfap.ed.gov> or contact Partner Eligibility and Oversight Services, Cohort Default Rates Group at 202-377-3053.

To retrieve this information from the NSLDS website, log on with your NSLDS User ID, navigate to the Report Tab, and select Report DRC040 for the GA Cohort Default Rate History Report or select Report DRC045 for the Lender Cohort Default Rate History Report. The Loan Record Detail Report (LRDR) will be delivered to the TG Box associated with the requestor’s NSLDS User ID. The data is available in report or extract format.

The file layout for the extract format can be found on the IFAP website at: <https://ifap.ed.gov/nslids-reference-materials/11-15-2012-nslids-record-layouts-subject-nslids-lender-cohort-default-rate>

If you have questions on how to request an NSLDS User ID, please contact your guaranty agency or lender’s Destination Point Administrator (DPA). If you need information on how to request an NSLDS web report, please call the NSLDS Customer Support Center at 1-800-999-8219. If you need information on how to retrieve your LRDR from your TG mailbox, please contact the CPS/SAIG Technical Support at 1-800-330-5947. How are the borrowers of consolidation loans counted in Guaranty Agency cohort default rates?

The Cohort Default Rate program evaluates the reported date entered repayment of the underlying loans (loans that NSLDS has linked to a consolidation loan) to determine which cohort fiscal year the borrower is counted.

- For loans with a paid-in-full through consolidation loan status code ('PC', 'PN', or 'DN'), the program determines if the guaranty date of the consolidation loan was on or before the end of the Cohort Period (three-year window beginning with Cohort Fiscal Year begin date). Loans that are within the Cohort Period are counted as follows:
- If a claim does not exist on the consolidation loan, the GA that held the consolidation loan at the end of the Cohort Period will have the borrower counted in the denominator of their agency's cohort default rate.
- If a claim does exist on the consolidation loan, the GA that held the consolidation loan on the date that the claim was paid will have the borrower counted in the numerator and denominator of their agency's cohort default rate.
- If a claim exists on the underlying loan of a consolidation loan, the GA that held the underlying loan on the date the claim was paid will have the borrower counted in their numerator and denominator.
- If the consolidation loan was made after the end of the Cohort Period, the underlying loan is processed as if no consolidation loan had occurred.

Loans reported to NSLDS as part of the Lender-of-Last-Resort are NOT included in the cohort default rate calculation.

**How important is the date entered repayment, as reported to NSLDS, in the cohort default rate calculation?**

The date entered repayment is integral to the cohort default rate calculation. As a result, it is important that the guaranty agency ensure that this date is reported accurately to NSLDS.

1. For loans closed as a result of consolidation that have not entered repayment, set the date equal to the effective date of the paid in full through consolidation loan status ('PC', 'PN', or 'DN').
2. The cohort default rate calculation uses the date entered repayment to determine which borrower to count in the denominator. Continually moving the date entered repayment could cause a loan to be included in multiple cohort fiscal year calculations or if the date entered repayment is incorrect, a loan could be included in the wrong cohort year.
3. Many guaranty agencies determine the date entered repayment based on the borrower's anticipated completion date. It is important to update the date entered repayment to be equal to the borrower's separation date (withdrew, graduated, or less than half-time) plus the grace period plus one day. Furthermore, the anticipated completion date reported in the NSLDS Enrollment Reporting process is not used in the cohort default rate calculation.

4. In cases when the borrowers pay the loan in full while in their grace period or prior to the end of the loan period, it is important that the date entered repayment be updated to the effective date of the loan being paid in full. A future date entered repayment remaining on a loan can cause the borrower to be counted in the wrong cohort year unless the loan is cancelled.
5. Once the loan has entered repayment, the date entered repayment should not be changed except to correct an error. (Do not replace an original date entered repayment with the date associated with a new loan, or the date the borrower resumes repayment after deferment or forbearance.)

**Note:** If the loan is paid in full within 120 days of disbursement, then the loan is cancelled. Cancelled loans are not counted in the cohort default rate calculation.

### **Reporting Ineligible Borrower Claims Defaults**

A loan for which the borrower is ineligible due to the borrower's error is treated as a default if the borrower fails to repay the full amount due within 30 days after the final demand letter is mailed. For these loans to be appropriately reported to NSLDS and to be included in the calculation for cohort default rates, it is important that the NSLDS claim reason code for these claims be reported as 'DF'.

### **How do loans being consolidated affect the cohort default rate?**

In order for a consolidation loan to be considered in the cohort default rate calculation a **link** must be established between the underlying loan and the consolidation loan. The link between an underlying loan and a consolidation loan is established according to procedures developed by the Department.

### **Linking**

To link an underlying loan to a consolidation loan, the following two conditions must be met.

1. The underlying loan must be reported as paid through consolidation (NSLDS Loan Status Codes 'PC', 'PN' or 'DN').
2. The underlying loan must have a loan status date that is 210 days on or after the guarantee date of the consolidation loan.

When the two conditions exist, the link is established between the underlying loan and the consolidation loan. If the paid through consolidation loan status date of the underlying loan is prior to the guarantee date of the consolidation loan, the underlying loan will **not** be linked to the consolidation loan and the consolidation loan will not be included in the cohort default rate. Please see examples in borrower scenarios below:

Borrower 1: There are 4 loans with a date entered repayment within the cohort year. They are reported with a paid through consolidation loan status date of 10-21-2007. The consolidation loans have loan guarantee dates of 10-30-2007 and 06-09-2008. Since the paid through consolidation loan status date of **10-21-2007 is prior to** the loan guarantee date of both consolidation loans, neither consolidation loan is linked to the 4 loans having been paid through consolidation. The underlying loans are processed as if no consolidation loan had occurred and the consolidation loans **are not included** in the cohort default rate.

Borrower 2: There are 13 loans with a date entered repayment within the cohort year. They are reported with a paid through consolidation loan status of 02-05-2008. The consolidation loan has a loan guarantee date of 02-05-2008. Since the paid through consolidation loan status date of **02-05-2008 is on or within the 210 days** after the consolidation loan guarantee date of **02-05-2008**, the consolidation loan is linked to the underlying loans. Since the consolidation occurred before the end of the Cohort Period, the consolidation loan **is included** in the cohort default rate.

## DATA CORRECTIONS

Under Section 430(e) of the *HEA*, lenders, holders, and guaranty agencies are allowed the opportunity to correct cohort default rate information. The Department calculates cohort default rates based on data submitted to NSLDS by guaranty agencies. The Department selects certain relevant fields from NSLDS, compiles the data by borrower and lender code, and then performs the calculations necessary to determine the cohort default rate.

If there are multiple loan records for the student for one of the loan programs, the student is still counted only once. If a student borrowed from more than one lender, he or she is counted in the calculation for each lender. The three-year CDR calculation data reflects the status of loans through September 30<sup>th</sup> of the second year following the cohort year the borrower entered repayment. Thus, data for the FY 2017 three-year cohort reflects the status of loans only through Sept. 30, 2019.

If an originating lender or current holder believes that the cohort default rate was calculated based on erroneous data, the lender or holder should contact the guaranty agency (GA). If the lender discovers discrepancies between the information in the lender records and the data provided to the Department by the guaranty agencies, the lender should try to resolve the problem with the guaranty agency that submitted the data to the Department. The lender should submit to the guaranty agency all the relevant documentation supporting its contention that the data relating to a particular loan is incorrect and should be changed. The guaranty agency will review the documentation that the lender submits and determine whether it believes the data to be erroneous, then the GA will notify the Department in writing. Partner Eligibility and Oversight Services, Cohort Default Rates Group will review the data provided by the GA and make a final determination on whether the data provided is incorrect. If the correction is approved by the Department, the guaranty agency will be notified and will make the appropriate changes in the default rate information provided to NSLDS.

The process for data correction is as follows:

1. Lenders or holders are urged to promptly request back-up data (loan record detail report) from the NSLDS website at <https://nslsdfap.ed.gov> if they believe their cohort default rates were calculated on the basis of incorrect data. (Back-up data is an extract of the loan records that formed the basis for calculating your lender or holder cohort default rate.)
2. After reviewing the back-up data, the lender or holder should submit the appropriate documentation to the guaranty agency in support of its contention that the data is incorrect. Such documentation should include the borrower's name, social security number, and the nature of the error in each case. Supporting documentation could include copies of the guarantor's notice of a change on the Student Status Confirmation Report, canceled checks, or copies of other pertinent information. To ensure timely processing of the request, borrowers should be listed in social security number order. A lender or holder should identify the cohort year to which the corrections apply. All requests to the guaranty agency for a correction should be signed by an official of the lender or holder who is authorized to act on its behalf in this regard.

3. The guaranty agency should analyze a lender's or holder's request for data correction and determine whether it will agree with or deny the request for a correction.
4. When the guaranty agency has completed its analysis of the request for data correction, the lender or holder must be notified of the guaranty agency's conclusions. A copy of the letter from the guaranty agency agreeing with or denying the data correction must be sent to the Cohort Default Rates Group at the address listed below.

**U.S. Department of Education  
Partner Eligibility and Oversight Services  
Union Center Plaza, 6th Floor (61G3)  
830 First Street, NE  
Washington, D.C. 20202  
ATTN: Cohort Default Rates Group**