DRAFT

CDR Metric Proposal

Use of Cohort Default Rates (CDRs) as a metric of gainful employment was proposed by ED during the first 2013 negotiated rulemaking session. ED proposes to use CDRs at the program level, for programs with 10 or more students in repayment status, making ineligible for Title IV funds those programs with CDRs of 30 percent or higher for three consecutive years or those programs with CDRs of 40 percent or higher in a single year.

One member of the Committee – Brian Jones, on behalf of Strayer University – submitted comments to the Department in June proposing the Department use institutional CDRs as a measure of Gainful Employment (attaching escalating sanctions at successively higher CDR levels), given the limited legal risk to the Department of such an approach and the practical simplicity for both the Department and for institutions given its longstanding usage as a measure of institutional quality.

The Department, however, has proposed to use the CDR at a programmatic level. The group expressed general support for the idea conditioned on several recommendations to strengthen the proposal.

1. If using programmatic rather the intuitional CDRs, use as Alternative Metric to D/I

First, Committee members Jones, Greenfield, Dalton and Jerome agreed the metric should not be used as a stand-alone metric, as proposed by ED, but rather should be an alternative metric used much as the LRR was used in the 2011 rule. The CDR, like the LRR, offers the advantage of being a measure of GE that addresses non-completers. However, a vulnerability of calculating CDRs at the program level is that smaller programs will likely experience significant volatility in their rates from year to year. CDRs for programs with 30 students in repayment would likely be materially affected by a change in status of just two or three students from year to year. Significantly, given ED's notion of applying a CDR to programs with populations in repayment as small as 10, there is a very high likelihood of significant volatility in the calculations from year to year.

2. Use a larger N-size than 10

For the reasons described above – the volatility of calculating CDRs for programs with relatively few students in repayment – the group would urge ED to calculate CDRs only for programs having a significantly larger N-size than 10. The group would welcome detailed data from the Department on the impact of small N-sizes on the calculation of program-level CDRs, to inform the Committee's deliberations on an appropriate N-size.

3. Provide the Committee with data on average programmatic usage of Deferments and Forbearances

Committee member O'Sullivan expressed a concern about the use of the programmatic CDR as an alternative measure – that CDRs could be subject to manipulation by institutions' excessive counseling of students into deferments and forbearances. Responses to that concern are: 1) that the 3-year CDR, which ED proposes to use and which the group would support, is more difficult to manipulate than the 2-year CDR, and 2) that ED could calculate and publish average Deferment and Forbearance Rates across all programs (Public, Private Non-Profit, and For-Profit), and on a risk-adjusted basis (recognizing the some institutions' populations may be more likely than others to make legitimate use of deferments and forbearances), limit an institution's ability to avail itself of the programmatic CDR as a means of GE compliance where the program at issue materially exceeds the average. Of course, before Committee members could indicate support for such an approach, it will be essential for ED first to provide the Committee with data on the average usage of forbearances and deferments by program.