



Managing Your Cohort Default Rates

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Default Prevention

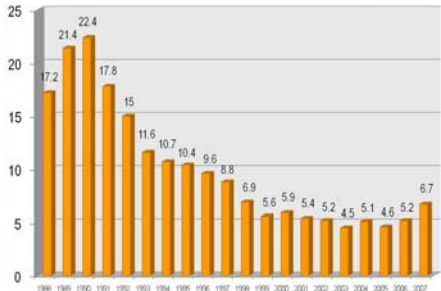
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Topics to be covered

- Cohort Default Rate (CDR) – What is it?
- CDR calculation— 2-year and 3-year rates
- Notification timelines— draft and official rates
- Potential benefits and sanctions
- Challenges and appeals
- TG tools— Integrated Default Assistant™ (IDA™)

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National Student Loan Cohort Default Rates



Year	Rate (%)
1988	17.2
1989	21.4
1990	22.4
1991	17.8
1992	15
1993	11.6
1994	10.7
1995	10.4
1996	9.6
1997	8.8
1998	6.9
1999	5.6
2000	5.9
2001	5.4
2002	5.2
2003	4.5
2004	5.1
2005	4.6
2006	4.6
2007	6.7

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What is a Cohort Default Rate (CDR)?

- A "cohort" is a group of Stafford loan borrowers who entered repayment within a given federal fiscal year (FY)
- A "CDR" is the percentage of those students in a school's cohort who defaulted within a specified period of time:
 - 2-year CDR: by the end of the next fiscal year
 - 3-year CDR: within the next two fiscal years

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How is a 2-year CDR calculated?

FY 2009 CDR:

Borrowers who entered repayment between 10/1/2008 and 9/30/2009 and who defaulted between 10/1/2008 and 9/30/2010

Borrowers who entered repayment between 10/1/2008 and 9/30/2009

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How is a 3-year CDR calculated?

FY 2009 CDR:

Borrowers who entered repayment between 10/1/2008 and 9/30/2009 and who defaulted between 10/1/2008 and 9/30/2011

Borrowers who entered repayment between 10/1/2008 and 9/30/2009

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When/how is a school notified of its CDR rates?

- Draft rates are released to schools in February of each year (non-public information)
- Information is sent to schools via e-mail along with the Loan Record Detail Report (LRDR)
- LRDR gives detail of each borrower included in the default rate:
 - Date Entered Repayment
 - Date of Default (if applicable)
- Official rates are published in September of each year (public information)

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Transition from 2-year to 3-year rates

Fiscal year (FY)	Denominator (enter repayment)	Numerator (in default)	Official CDR publication dates	CDR used for school sanctions
2008	10/01/07 - 09/30/08	2-yr: 10/01/07 - 09/30/09	2-yr: Sept 2010	2-yr rate (25%)
2009	10/01/08 - 09/30/09	2-yr: 10/01/08 - 09/30/10 3-yr: 10/01/08 - 09/30/11	2-yr: Sept 2011 3-yr: Sept 2012	2-yr rate (25%)
2010	10/01/09 - 09/30/10	2-yr: 10/01/09 - 09/30/11 3-yr: 10/01/09 - 09/30/12	2-yr: Sept 2012 3-yr: Sept 2013	2-yr rate (25%)
2011	10/01/10 - 09/30/11	2-yr: 10/01/10 - 09/30/12 3-yr: 10/01/10 - 09/30/13	2-yr: Sept 2013 3-yr: Sept 2014	2-yr rate (25%) 3-yr rate (30%)
2012	10/01/11 - 09/30/12	3-yr: 10/01/11 - 09/30/14	3-yr: Sept 2015	3-yr rate (30%)

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2012	10/01/11 - 09/30/12	3-yr: 10/01/11 - 09/30/14	3-yr: Sept 2015	3-yr rate (30%)

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Benefits of low CDRs

Most recent 2-year or 3-year CDR less than 5 percent:

- Loans may be disbursed in one installment to study-abroad students, regardless of loan period length; and
- No delayed disbursement requirement for first-year, first-time borrowers in study-abroad programs

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Potential sanction—provisional certification

- 2-year rates: a single CDR of 25 percent or greater
- 3-year rates: two CDRs of 30 percent or greater in last three years
 - Effective when the third 3-year rate is published in September, 2014

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Potential sanction—loss of eligibility

- 2-year rates:
 - Three consecutive years of 25 percent or greater
 - One year over 40 percent
- 3-year rates:
 - Three consecutive years of 30 percent or greater
 - One year over 40 percent
 - Effective when the third 3-year rate is published in September, 2014

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		3-yr: 10/01/08 - 09/30/11	3-yr: Sept 2012	
2010	10/01/09 - 09/30/10	2-yr: 10/01/09 - 09/30/11	2-yr: Sept 2012	2-yr rate (25%)
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2011	10/01/10 - 09/30/11	2-yr: 10/01/10 - 09/30/12	2-yr: Sept 2013	2-yr rate (25%)
		3-yr: 10/01/10 - 09/30/13	3-yr: Sept 2014	
2012	10/01/11 - 09/30/12	3-yr: 10/01/11 - 09/30/14	3-yr: Sept 2015	3-yr rate (30%)

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Additional consequences of high CDRs

- 3-year CDR equal to or greater than 30 percent:
- 1st year – school must establish default prevention task force and prepare a plan to submit to the Department
 - 2nd year (consecutive) – task force must review and revise plan and submit to the Department

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Can a school challenge its draft CDR?

- Challenges—draft CDR:
 - Incorrect data challenge
 - Participation rate index challenge
- Challenges must be submitted within 45 days of the date the school receives its draft CDR in mid-February

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Can a school adjust its official CDR?

- Adjustments—official CDR:
 - Uncorrected data adjustment
 - New data adjustment
- Adjustments must be submitted to the Department or data manager within 30 days of the date the school receives its official CDR in mid-September

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Can a school appeal its official CDR?

- Appeals—official CDR:
 - Erroneous data appeal
 - Loan servicing appeal
 - Economically disadvantaged appeal
 - Participation rate index appeal
 - Average rates appeal
 - Thirty or fewer borrowers appeal
- Appeals are submitted to the Department for review

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Challenges and appeals

School may submit...	...if subject to...			
	No sanction?	Loss of eligibility?	Provisional certification?	
<i>Draft Cohort Default Rate</i>				
Incorrect Data Challenge	Yes	No sanctions based on draft rates		
Participation Rate Index Challenge	Yes			
<i>Official Cohort Default Rate</i>			2-year	3-year
Uncorrected Data Adjustment	Yes	Yes	Yes	Yes
New Data Adjustment	Yes	Yes	Yes	Yes
Erroneous Data Appeal	No	Yes	Yes	Yes
Loan Servicing Appeal	Yes	Yes	Yes	Yes
Economically Disadvantaged Appeal	No	Yes	No	Yes
Participation Rate Index Appeal	No	Yes	No	Yes
Average Rates Appeal	No	Yes	No	Exempt
Thirty or Fewer Borrowers Appeal	No	Yes	No	Exempt

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Key points

- CDR changes are underway—the borrowers included in the first 3-year rate (FY 2009) have already entered repayment
- Monitor and correct CDR borrower data frequently
- Utilize tools to help your borrowers better manage their repayment responsibilities
- Begin taking action NOW to make a difference!

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Using TG Tools to manage default aversion

Joe Braxton

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IDA enhancements – Reports main menu

TG
Reports Main Menu

INSTITUTION ID: 0036200

Applications/ Loans | Disbursements/ Change Transactions | Transmissions/ Tracking | Specialized Reports | **Integrated Default Assistant**

- Message Board
- List Report Requests
- Integrated Default Assistant Reports
 - Integrated Default Assistant Query
 - Integrated Default Assistant Reports
 - IDA LWC- Manage Letters
 - IDA LWC- Manage Letter Templates

Organize Favorites

Questions about AdvanTG Web™? Contact TG Product Support at (800) 332-1455 or product.support@tgalic.org
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IDA – What?

IDA is a database of information gathered from:

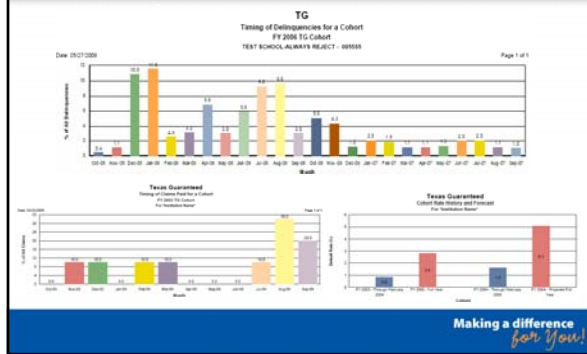
- Default Aversion Assistance Request (DAAR)
- Default Aversion Claims and Collections (DACCS)

The information collected can be accessed to:

- Generate detailed and statistical reports
- Create queries to use in reports and merge documents
- Utilized to print pre-formatted letters from templates

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IDA - Reports



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IDA – Query Report Example

There are eight different types of criteria to use as options

Summary Default Report
Claims in Repayment Between 10/01/2007 And 09/30/2008
For School 00555008 - TEST SCHOOL ALWAYS REJECT.

SR#	Claim Status	Claim Status Date	Claim Paid Date	Claim Review Date	Claim Paid Date	Missed Payment Date	Delinq Stat	Repay Date	Current Interest	Out of School	Current Leader
001-00-1413	Over	05/15/2008				07/14/2007	356	06/18/2008	700006	06/05/2007	877790
	Over	05/15/2008				07/14/2007	356	06/18/2008	700006	06/05/2007	877790
	Over	05/15/2008				07/14/2007	356	06/18/2008	700006	06/05/2007	877790
	Over	05/15/2008				07/14/2007	356	06/18/2008	700006	06/05/2007	877790
	Over	01/10/2008				07/14/2007	356	06/18/2008	700006	06/05/2007	877790

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