



Questions and Answers  
**"Default Aversion 101" Webinar**

Presented on December 7, 2009

**Q: How is a school's cohort default rate (CDR) affected if a borrower receives Stafford loans at multiple schools and defaults during the cohort default period?**

A: A borrower who defaults within the cohort default period on two or more loans that entered repayment during a single fiscal year and were borrowed to attend more than one school will be included in the numerators of that fiscal year's CDR calculations for each school.

**Q: Are GRAD PLUS loans included in the CDR calculation?**

A: No, GRAD PLUS loans are not included in the CDR calculation:

Section 435(m) of the Higher Education Act (HEA) specifically defines which loans are to be included in the cohort default rate calculation. PLUS loans (parent or graduate/professional) are not included in the statutory language. The following loan types are included in the calculation:

- FFELP subsidized and unsubsidized Stafford loans and Supplemental Loans for Students (SLS)
- Direct subsidized and unsubsidized Stafford Loans

Portions of FFELP or Direct Consolidation loans used to repay any Stafford loans or SLS loans, if the Consolidation loan defaults within the cohort default period that is applicable to the underlying loan(s)

**Q: If a student borrower defaults on a consolidation loan, will it affect a school's default rate?**

A: As noted on page 2.1-7 of ED's CDR Guide, a defaulted consolidation loan may cause a borrower to be included in the numerator of the school's CDR calculation. This occurs if the consolidation loan defaults within the cohort default period that is applicable to the underlying loan(s).

**Q: When does ED release "draft" CDR rates? Are there any sanctions associated with them?**

A: ED releases draft (unofficial) CDRs only to schools in February of each year. There are no sanctions or benefits associated with the draft CDRs, but they are important because they form the basis of a school's official CDR. It is important to review the data used to calculate the draft CDR. If it is incorrect, the school may submit a challenge to that data within the specified timeframe. This may be more beneficial to the school given that a school that fails to challenge the accuracy of its draft CDR is more limited in contesting the accuracy of the data when it receives its official cohort default rate.

**Q: As a follow up to the previous question, from the time a school receives its "draft" CDR what is the response time frame to challenge it?**

A: A school can challenge its draft cohort default rate based on two general criteria: incorrect data and the school's participation rate index (PRI). Any challenge must be submitted no later than 45 days after the school receives its draft cohort default rate notification. A detailed explanation of the structure and content of a valid challenge is included in the Department's *Cohort Default Rate Guide*. Schools should carefully note the time frames and criteria prescribed.

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**Q: Can a school appeal its CDR on the basis that a student is incarcerated?**

A: As previously discussed, a school can challenge its draft CDR based on two general criteria: incorrect data and the school's participation rate index (PRI). A challenge based on a student's "incarcerated" status would not fit either of the above criteria. As part of the school's default management plan, if the school learns that a delinquent borrower is incarcerated, it may inform the borrower (or the borrower's designated contact) of the repayment, deferment, and forbearance options available. Some examples of these options might include the availability of the economic hardship deferment, or even income-based repayment.

**Q: Does a school still have time after the date the borrower defaults (270 days of delinquency) but before the 361st day of delinquency to make sure the default doesn't count in the CDR calculation?**

A: Yes. There is a distinct difference between the date the borrower defaults (270 days of delinquency) and the date of default for CDR calculation purposes. For a FFEL loan, the date of default for CDR calculation purposes is the date a default claim is paid to the lender by the guarantor. The date a default claim is paid by a guarantor will vary depending on the date the lender files the claim and claiming processing time of the guarantor. For a FDLP or FFEL purchase loan—owned by ED, the date of default for CDR calculation purposes is the 361<sup>st</sup> day of delinquency.

**Q: Does the school receive information or have access to delinquency reports that include students with consolidation loans?**

A: In general, the school can request from the loan holder or the guarantor of the loan a report for students with consolidation loans that are delinquent. For TG guaranteed consolidation loans, IDA delinquency reports do not include students with consolidation loans at this time. For such loans, the school can request a custom, ad hoc report.

**Q: What is a FFEL purchase loan?**

A: A FFEL purchase loan is a loan made under the Federal Family Education Loan (FFEL) Program by an eligible lender that is subsequently purchased by ED. Commonly known as FFEL "PUT" loans, ED becomes the owner of such a loan and assumes all servicing responsibilities for the purchased loans.

**Q: Who services FFEL purchase loans for ED?**

A: There are five ED loan servicers currently servicing FFEL Purchased Loans for ED. Those ED loan servicers are: Affiliated Computer Services (ACS), Pennsylvania Higher Education Assistance Agency (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae. The contact information for these ED loan servicers is available on pages 4-42 and 4-43 of the *2009-10 FSA Handbook*.

**Q: How often is the National Student Loan Data System (NSLDS) updated to find out when FFEL loans have been sold to ED?**

A: ED has indicated that the loan servicer information will be updated within 7-10 business days of the loan transfer (i.e. from the FFEL lender to ED). It is recommended that schools review the November 2009 NSLDS newsletter to learn more about how FFEL purchased loans are identified in NSLDS.

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**Q: Is there any other system outside of NSLDS to manage the information so we know exactly who the ED servicer is for the FFEL purchase loan? Is it possible for one student to have more than one ED loan servicer?**

A: NSLDS is the primary system that schools can use to identify the ED servicer for a student’s loan.

**Q: Is there a function on NSLDS that allows us to know whether or not a FFEL purchased loans is delinquent?**

A: There is no function within NSLDS at this time that informs schools about the delinquency status of a FFEL purchased loan. The school should contact the appropriate ED loan servicer to discuss what options are available for receiving delinquency reports for FFEL purchased loans.

**Q: Can a school use TG’s Integrated Default Assistant™ (IDA™) to track delinquent FFEL purchase loans?**

A: It is important to understand that guarantors will not have loan detail information for FFEL purchased loans since ED is the owner of such a loan and assumes all servicing responsibilities. At this time, IDA™ is not available to assist in tracking delinquent FFEL purchase loans.

**Q: Is there any recent ED guidance that may be helpful as our school thinks about default prevention and plans?**

A: ED provided a Dear Colleague Letter GEN-05-14 which provides helpful guidance in the area of default prevention as it discusses a number of activities including:

- Entrance counseling
- Financial Literacy for borrowers
- Communication across the campus
- Exit counseling
- Timely and accurate enrollment reporting
- And much more.

In addition, TG recently published an article on Oct 20, 2009 in Edition 526 of *Shoptalk* that revisits this “classic” Dear Colleague Letter.

**Q: If a student is having (a) very difficult time resolving a dispute with his or her loan holder concerning a repayment issue, what TG options are available?**

A: While we certainly encourage TG borrowers to work with their FFEL loan holders about specific repayment/account issues, there are instances where TG’s Office of the Ombudsman can help borrowers resolve issues that have not been resolved during the normal course of business. More information about TG’s Office of the Ombudsman is available at the following url:

[www.tgslc.org/students/ombudsman.cfm](http://www.tgslc.org/students/ombudsman.cfm).

For Direct Loans or FFEL purchase loans, if the borrower is not able to resolve an issue during the normal course of business, ED’s Ombudsman can also help borrowers resolve such issues. More information about ED’s Ombudsman is available at the following url:

<http://www.tgslc.org/students/ombudsman.cfm>.

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**Q: Say a borrower does not make his/her monthly loan payment during repayment and becomes delinquent by 30 days. If the borrower makes 1 month's payment the following month, is the delinquency corrected? Does (the) clock go back to 0 days delinquent OR does (s)he need to make up all the missed payments?**

A: The instance described would be considered a "rolling delinquency." A rolling delinquency is a delinquency that occurs whenever the delinquent status of a loan is increased or reduced but not completely eliminated as result of a payment, the reversal of a payment, a deferment or forbearance, or the receipt of a new out-of-school date. In the example described, the borrower would have to make the equivalent of two monthly payments (the current monthly payment due and the missed payment) to resolve the delinquency. If the borrower is in a rolling delinquency situation, he/she is encouraged to contact the lender to discuss options available for resolving the situation.

**Q: How do schools implement for early identification for students at-risk?**

A: Traditionally, ED has referred to students at-risk as those borrowers who withdraw prematurely from their educational programs or borrowers who are not making satisfactory academic progress. Identifying these students with in-house school reports and providing them additional counseling is one way to focus on this segment of students.

**Q: Would you say the best way to promote default aversion would be to educate the first year freshman and other classifications?**

A: In general, there are schools that have identified first-year, first time borrowers as a segment at-risk of default. Of course, this will vary on a school-by-school basis. Promoting financial literacy skills and effective student loan repayment are good practices to address default aversion goals. However, keep in mind that effective default aversion includes involvement from those campus offices that may affect student outcome.

**Q: I have staff call borrowers on the delinquency lists that I print from IDA. We've had several borrowers say that they have made arrangements or paid the loan in-full a few months ago. How up-to-date are the IDA lists?**

A: There are a number of variables to consider when trying to determine why this situation may occur. For example, if a borrower becomes 60 days delinquent, the loan holder must file a default aversion assistance request (DAAR) with TG seeking additional assistance to help resolve the delinquency. If the school decides to contact the borrower during this same delinquency period, it is possible that the lender could have already resolved the delinquency, but not informed TG to cancel the DAAR. Thus, the report would not reflect that the delinquency was resolved. Consider that there may be a short period between which the lender resolves the delinquency and updates their processes, and the resolution is communicated back to TG.

**Q: During the grace period to 59 days delinquent: how does TG determine what constitutes borrowers at high risk for default?**

A: It is important to understand that the data we use for our delinquency prevention process is received directly from NSLDS. We do not single out a specific "high-risk" group, but we do identify some characteristics that are common to borrowers more likely to default. Normally one of these factors includes withdrawn students that are in the first year of a program.

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**Q: Is the monthly repayment amount for a defaulted loan that TG holds negotiable? How are those payments calculated?**

A: There are a number of ways to resolve a defaulted loan. All options available to borrowers who have defaulted on a loan(s) are provided at the following url:

[www.tgslc.org/borrowers/default/repay.cfm](http://www.tgslc.org/borrowers/default/repay.cfm).

Repayments are not necessarily negotiable. However, the borrower may have the option to set up a "reasonable and affordable" repayment which is a temporary repayment schedule based on a borrower's income. In such an instance, a borrower must provide documentation of his or her income and expenses in order to determine a reasonable and affordable payment amount. For borrowers with a defaulted loan, TG's Reasonable and Affordable Financial Disclosure form can be downloaded and filled out from TG's Web site at [www.tgslc.org](http://www.tgslc.org).

**Q: Where do we sign up for more information on IDA?**

A: To learn more about IDA, contact your account executive at (800) 252-9743, or send an e-mail message to [relationship.management@tgslc.org](mailto:relationship.management@tgslc.org).

**Q: Can a 3rd party default management company get access to loan information on behalf of the school?**

A: Yes. For more information, please contact TG Customer Assistance at (800) 845-6267.

**Q: Which is more preferable (: ) that a delinquent borrower get in contact with his lender, or with TG?**

A: The loan holder is generally the first point of contact for the borrower as the loan holder is ultimately responsible for handling repayment issues (i.e. granting forbearance or changing a borrower's repayment plan). If a borrower does call TG, we will work with that borrower by helping them understand his or her options to resolve delinquency, and we will facilitate a three-way phone call including the borrower's loan holder to resolve the delinquency.

**Q: How does a school obtain a list of those borrowers in their grace period? Can I send them a communication using IDA?**

A: IDA does not track any borrower prior to day 60 of delinquency. Our delinquency prevention call center gets all data from the NSLDS system. Schools should be able to sign on to IDA and access that information.

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**Q: What are the consequences for high CDRs? How high a default rate for how long?**

A: A school loses eligibility to participate in the FFELP, FDLP, and the Federal Pell Grant Program 30 days after the school receives notice that its three most recent official cohort default rates are 25% or greater, unless the school appeals or requests an adjustment by that date. The loss of eligibility is applicable for the remainder of the fiscal year in which the cohort default rate notice is received, and the two subsequent fiscal years. Finally, keep in mind that effective September of 2014, the 25% threshold increases to 30%.

In addition, if a school's most recent official CDR is greater than 40 percent, unless a school appeals or requests an adjustment to its official cohort default rate, the school loses eligibility to participate in the FFELP and FDLP 30 days after receiving notice.

For additional information on this issue, please consult ED's *Cohort Default Rate Guide*.

**Q: The letters I download from IDA don't always match the call sheets. Is there a reason why?**

A: IDA has a unique feature that prevents the printing of letters for borrowers who have incorrect or undeliverable mailing addresses on record. This feature helps schools to save on postage costs.

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<http://www.tgslc.org/training/webinars/>