

## *What's In A CDR?*

Presented to: SWASFAA  
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## Objectives

- Understand how the cohort default rate (CDR) is calculated
- Understand the difference between the 2-year and 3-year calculation
- Learn how to appeal your CDR
- Understand how to achieve the CDR you want

## *CDR Definition and Calculation*

### What is CDR?

- The percentage of the school's borrowers who enter repayment on a loan during the fiscal year and default within the cohort default period.\*
  - Measures the percentage of borrowers defaulting during a specific time period.
  - Calculated based on borrowers entering repayment, not types of loans.

*\*Applies to schools who have 30 or more current or former students entering repayment during the fiscal year. For schools with 29 or fewer borrowers entering repayment during a fiscal year, the CDR is an "average rate" based on borrowers entering repayment over a 3-year period.*

## Fiscal Year and CDR

- CDR is based on the federal fiscal year (FFY).
  - The FFY begins October 1 and ends on September 30 of the following calendar year.
- “Cohort fiscal year” refers to the fiscal year for which the CDR is calculated—not the year the rate is available or published.
  - For example: When calculating the 2007 CDR, the cohort fiscal year was FFY2007 (October 1, 2006, to September 30, 2007).

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## How CDR is Calculated

### Numerator:

Number of student loan borrowers who entered repayment during a specific FFY and defaulted within the cohort default period

$$\div$$

### Denominator:

Total number of student borrowers who entered repayment during the specified FFY

$$\times 100$$

*Note: This formula is for schools with 30 or more student borrowers who entered repayment*

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## CDR Benefits and Sanctions\*

### Benefits

- If CDR is 5% or less, institution is eligible to make single and non-delayed disbursements on loans used for attendance in a study abroad program.
- If CDR is 10% or less for the 3 most recent cohort years, institutions can disburse single term loans in one disbursement and deliver first disbursements for first-year undergraduate borrowers without a delay.

### Sanctions

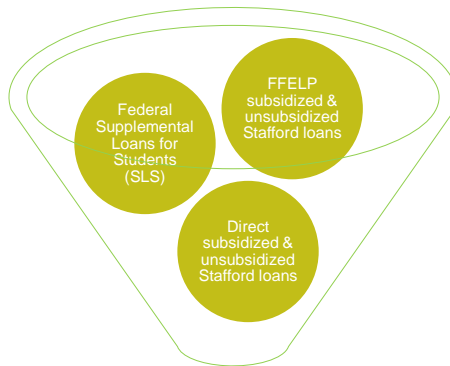
- If CDR is 25% or higher for 3 consecutive years, institution loses eligibility for federal student loans and Pell grants.
- If CDR is 40% or higher, institution loses eligibility for federal student loans and Pell grants for the remaining fiscal year and the following 2 fiscal years.

\* Benefits and sanctions for 2-year CDR calculation

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### Loan Types Included in CDR

Not included: Parent PLUS loans, Grad PLUS loans, Federal Insured Student Loans (FISL), Perkins loans

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## Borrowers Included in the Denominator

- Borrowers are included in the denominator based on their repayment start date.
- Repayment begins 6 months after the borrower separates from the institution.
- The official repayment start date is the first day after the end of the grace period.
- Borrowers who use deferment or forbearance are still included in the denominator.

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## Borrowers Included in the Numerator

- Defaulted borrowers who are included in the denominator comprise the numerator.
- Federal Family Education Loan Program (FFELP) loans enter default if the guarantor has paid a default claim to the lender holding the loan.
  - The date the guarantor pays the lender (the claim date) determines what year the loan defaults.
- Direct Loan program (DL) loans enter default after 360 days of delinquency.

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## Impact of Consolidation and Rehabilitation

### Consolidation Impact

- Consolidation loans are not directly included in the CDR calculation.
- May cause a borrower to be included in the numerator of the CDR calculation if the consolidation loan defaults within the cohort default period that is applicable to the underlying loan(s).

### Rehabilitation Impact

- Once a borrower makes the required payments, the loan is rehabilitated and no longer in default.
- If the loan is rehabilitated before the end of the cohort default period, the borrower is not included in the numerator.

## Difference between 2-Year and 3-Year CDR

## 2-year CDR Calculation—Example

2009	Borrowers who enter repayment in FFY2009 and default in 2009, 2010	October 1, 2008, to September 30, 2010
	Borrowers who enter repayment in FFY2009	October 1, 2008, to September 30, 2009

This is the 2-year time frame that begins October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following fiscal year.

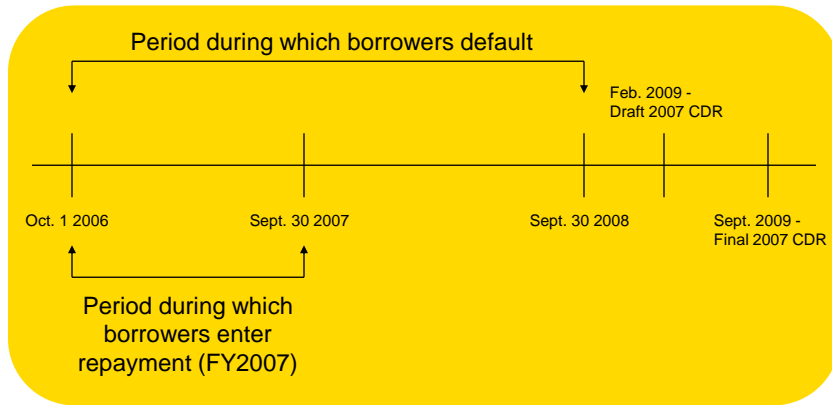
## 3-year CDR Calculation—Example

2009	Borrowers who enter repayment in FFY2009 and default in 2009, 2010, and 2011	October 1, 2008, to September 30, 2011
	Borrowers who enter repayment in FFY2009	October 1, 2008, to September 30, 2009

This year, 2011, CDR will measure the percentage of borrowers who default within the first 3 years after entering repayment.

This is the 3 year timeframe that begins October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the second following fiscal year.

## 2-year CDR Calculation Timeline

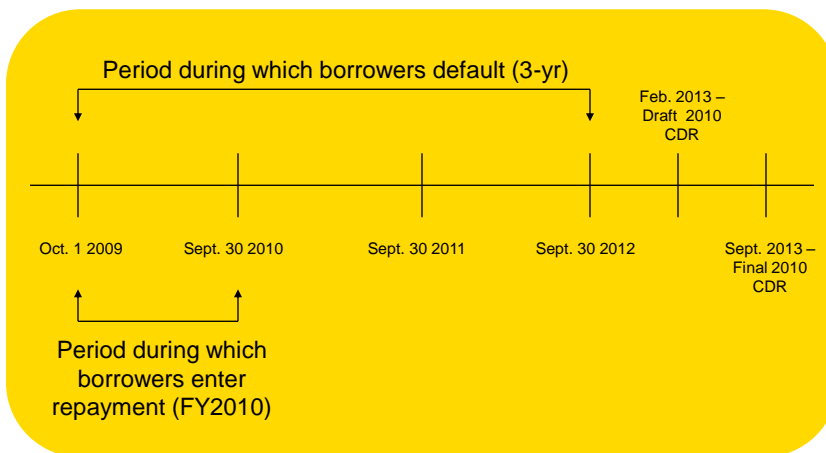


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## 3-year CDR Calculation Timeline



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## CDR Benefits and Sanctions\*

### Benefits

- If CDR is 5% or less, institution is eligible to make single and non-delayed disbursements on loans used for attendance in a study abroad program.
- If CDR is 15% or less for the 3 most recent cohort years, institutions can disburse single term loans in one disbursement and deliver first disbursements for first-year undergraduate borrowers without a delay.

### Sanctions

- If CDR is 30% or higher for 3 consecutive years:
  - First year: Must form a default prevention task force and submit default prevention plan to Department of Education (ED).
  - Second consecutive year: Must revise default prevention plan and re-submit to ED.
  - Third consecutive year: Institution loses eligibility for federal student loans and Pell grants.

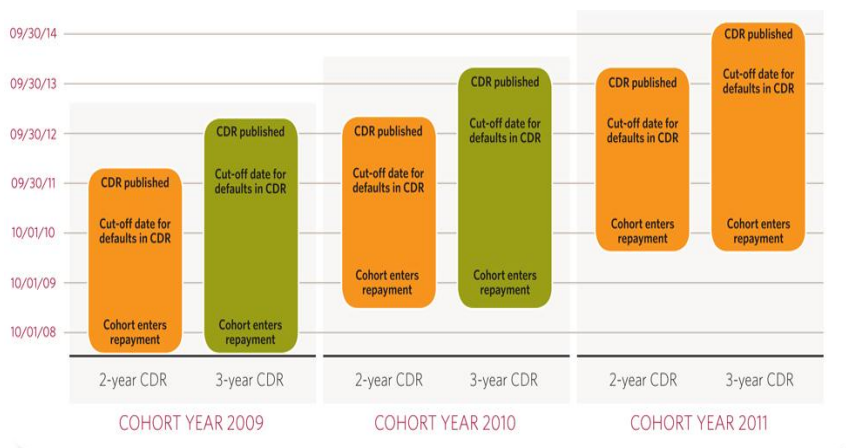
\* Benefits and sanctions for 3-year CDR calculation

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## The Transition






- Tied to sanctions
- Not tied to sanctions

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## Increases in Cohort Default Rates

Institution Type	FY2004 2 year rate	FY2004 3-Year Rate	Increase in Default Rates
 <b>Public</b>	4.7%	7.4%	53%
<2 year	5.7%	9.7%	70%
2-3 year	8.1%	12.9%	23%
4 year	3.5%	5.3%	51%
 <b>Private</b>	3.0%	4.7%	57%
< 2 year	9.0%	18.7%	108%
2-3 year	7.4%	12.2%	65%
4 year	2.8%	4.5%	61%
 <b>Proprietary</b>	8.6%	16.7%	94%
< 2 year	8.9%	18.5%	108%
2-3 year	9.9%	19.5%	97%
4 year	7.3%	13.7%	88%
<b>Foreign</b>	1.5%	2.5%	67%
<b>Unclassified</b>	5.5%	10%	82%
<b>Total</b>	5.1%	8.6%	69%

Source: <http://www.finaid.org/loans/cohortdefaultrates.phtml>

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## Stay on Top of the Numbers

## Managing Your Cohort

- Run reports regularly.
  - School Repayment Information Loan Detail (DRC015)
  - Date Entered Repayment Report (DER001)
  - The Default Loan Summary Report (SCHDF1)
- Analyze the data—communicate with students.
- Evaluate your draft rate—review data and possible challenges.
- Follow up on your official rate—review data and possible appeals.

## Critical Communication with Students

Delinquency Trigger Event	Topic	E-mail	Print	Phone
1-59 days	Simple oversight; make payment to servicer			
60-119 days	Repayment options			
120-179 days	Deferment and forbearance			
180-239 days	Consequences of delinquency			
240-269 days	Urgent notice			
270 days	Entering default			

## Staying on Top of the Draft Rate

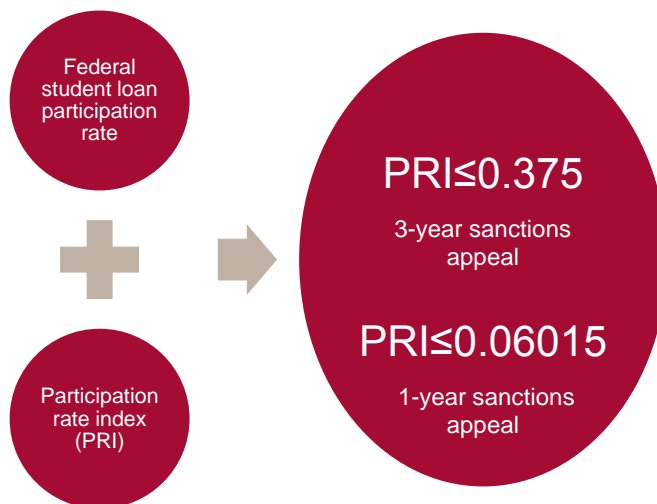
Type of Action	Purpose
Incorrect Data Challenge	Correct data before the official cohort default rates are released.
Participation Rate Index Challenge	Demonstrate a low borrower participation rate to avoid and anticipated sanction with the official cohort default rate

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## Participation Rate Index (PRI) Basics



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## Participation Rate Index Graph

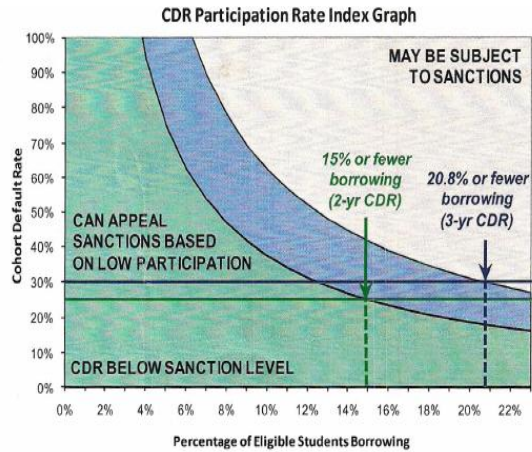
### How it Works

College X's most recent two-year CDR is 35%.

College X has 2,500 students who are eligible to borrow, and 250 borrowers. Its participation rate is 10%

Therefore, its PRI is  $0.10 \times 0.35$ , or 0.035.

Because its PRI of 0.035 is less than 0.0375, College X could appeal any applied sanctions.



Source: TICAS

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## Staying on Top of the Official CDR

Type of Action	Purpose
Uncorrected Data Adjustment	Contest an agreed upon data error that is not corrected
New Date Adjustment	Content official CDR date that was not included in the draft data or that is different from the draft data
Erroneous Data Appeal	Contest official cohort default data that was not included in the draft CDR data (new data) and/or contest the data manager's decision (disputed data)
Loan Servicing Appeal	Contest servicing of the borrower's loan account
Economically Disadvantaged Appeal	Demonstrate a high number of low-income students and high placement or completion rates
Participation Rate Index Appeal	Demonstrate low borrower participation
Average Rates Appeal	Demonstrate low number of borrowers
Thirty of fewer appeal	Demonstrate low number of borrowers

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## *Target CDR and At-Risk Populations*

## Maintaining Your School's CDR

Determine your school's target CDR

Determine the maximum number of defaults that can be allowed to maintain that rate

Work borrowers who can impact your CDR: delinquent and rehab

## Maximum Number of Defaults Allowed—Example

Target CDR:	4%
Number of borrowers who entered repayment between October 1, 2005, and September 30, 2006:	5,000
Maximum number of defaults allowed:	200
Increase in 2006 CDR for every borrower who defaults during the cohort period:	0.02%

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## Default Rate Projection Example

Cohort Default Rate Elements		
Borrowers who entered repayment in CY2006 and are already in default	A	110
Borrowers who entered repayment in CY2006 and are $\geq 320$ days delinquent	B	60
Borrowers who entered repayment in CY2006	C	5,000
CDR Calculations		
Current CDR based on actual defaults	A/C	2.2%
Projected increase in CDR assuming all borrowers $\geq 320$ days delinquent default	B/C	1.2%
Projected CDR based on actual defaults and current delinquencies $\geq 320$ days	(A+B)/C	3.4%

Source: The Common Manual

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## Top 5 Tips to Work Student Reports

- Run reports: set regular monthly dates and work the reports
- Identify current cohort borrowers
- Identify current cohort delinquent borrowers
- Identify critical delinquency borrowers
  - (any borrower that becomes delinquent before the last 360 days of the cohort year)
- Focus efforts on these critical borrowers
  - Counsel about different repayment options
  - Help borrower go through loan rehabilitation process

## Resources

## IFAP Resources

The screenshot shows the IFAP website's 'Cohort Default Rate Guide' page. The page has a header with the IFAP logo and the text 'START HERE GO FURTHER FEDERAL STUDENT AID'. Below the logo is a navigation bar with links for 'Home', 'Searchable Database', 'Contact Information', and 'FAQs'. A search bar is located on the left side. The main content area is titled 'Cohort Default Rate Guide' and includes a brief description of the guide, a list of links for the guide's sections (Cohort Default Rate Guide Master File, Table of Contents, Part 1: Introduction, Part 2: General Information, Part 3: Strategy, Part 4: Challenges, Adjustments and Appeals, Glossary, Appendices), and a footer with links for FOIA, Privacy, Security, Notices, WhiteHouse.gov, USA.gov, and ED.gov.

Source: <http://ifap.ed.gov/DefaultManagement/CDRGuideMaster.html>

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- “Ensuring Student Loan Repayment” publication describes best practices in default prevention: download from “Default Rate Materials” on the IFAP Website: <http://ifap.ed.gov>.
- *School Repayment Information Loan Detail (DRC015)* provides the current repayment status of certain borrowers in the FFEL and DL programs who attended a school during a specific period.
- *Date Entered Repayment Report (DER001)* is a list of student borrowers who are scheduled to go into repayment during a specified date range, with their loan histories.
- The *Default Loan Summary Report (SCHDF1)* provides a list of loans that currently have a defaulted loan status (DB, DL, DO, DT, DU, DW, DF, or DZ) and a loan status date that falls within the requested date range.

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*Questions and Discussion*

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