Cohort Default Rates & Default Prevention

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May 2022

Agenda

- Understanding the CDR
- Rewards and Sanctions
- Challenges, Adjustments, & Appeals
- Default Management Plans
- Resources
- Mohave Community College Actions
- Mohave Community College (MCC) Prevails!
- Questions?

Definitions & Abbreviations

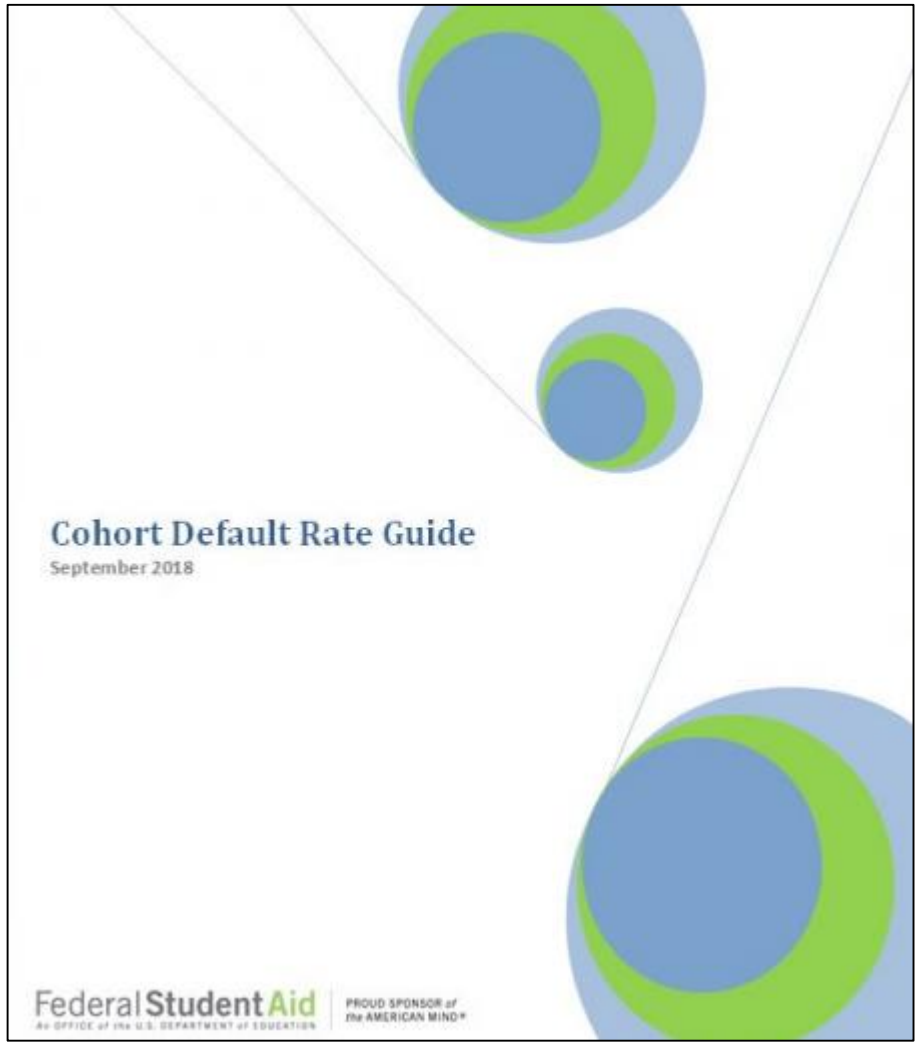
Term	Definition
Default	Missed scheduled payments for 270 days (Direct and FFEL programs)
CDR	Cohort Default Rate
Fiscal Year	October 1 – September 30
Cohort Default Period	Three year time period during which a borrower's default affects the institution's cohort default rate
Cohort Fiscal Year	The fiscal year for when the rate is calculated
Numerator	Number of borrowers in the denominator who defaulted
Denominator	Number of borrowers who entered repayment in the cohort fiscal year
LRDR	Loan Record Detail Report, extract type received in eCDR package
LRDR Import Tool	Spreadsheet formatted to facilitate easy import of LRDR file
eCDR	Refers to the electronic transmission of the CDR to schools, transmission starts the clock for the challenge, adjustment, and appeal process

Cohort Default Rate

Percentage of borrowers who enter repayment during a specific fiscal year and default on certain federal loans, or meets other specified conditions, during a specified monitoring period.

Schools with 29 or fewer borrowers the CDR is an “average rate” based on borrowers entering repayment over a 3 year period.

https://ifap.ed.gov/dm/cdrguidemaster



Types of Loans

Included in CDR

- FFEL Subsidized Loans*
- FFEL Unsubsidized Loans*
- Federal Direct Subsidized Loans*
- Federal Direct Unsubsidized* Loans

*may be referred to as Stafford or Ford loans

Not Included in CDR

- Federal PLUS Loans
- Federal Graduate PLUS Loans
- Federal Direct Graduate PLUS Loans
- Federal Insured Student Loans (FISLs)
- Federal Perkins Loans

Cohort Default Period

Cohort Fiscal Year	Year Published	Borrowers in the Numerator Borrowers in the Denominator	3-Yr Time Period (Numerator) 1-Yr Time Period (Denominator)
2014	2017	Borrowers who entered repayment in 2014 and defaulted in 2014, 2015 or 2016 Borrowers who entered repayment in 2014	10/01/2013 to 9/30/2016 10/01/2013 to 9/30/2014
2015	2018	Borrowers who entered repayment in 2015 and defaulted in 2015, 2016 or 2017 Borrowers who entered repayment in 2015	10/01/2014 to 9/30/2017 10/01/2014 to 9/30/2015
2016	2019	Borrowers who entered repayment in 2016 and defaulted in 2016, 2017 or 2018 Borrowers who entered repayment in 2016	10/01/2015 to 9/30/2018 10/01/2015 to 9/30/2016
2017	2020	Borrowers who entered repayment in 2017 and defaulted in 2017, 2018 or 2019 Borrowers who entered repayment in 2017	10/01/2016 to 9/30/2019 10/01/2016 to 9/30/2017
2018	2021	Borrowers who entered repayment in 2018 and defaulted in 2018, 2019 or 2020 Borrowers who entered repayment in 2018	10/01/2017 to 9/30/2020 10/01/2017 to 9/30/2018

Cohort Fiscal Year

Timeframe for borrowers to enter repayment.

Cohort Default Monitoring Period

3 Year Cohort Default Rate REWARDS

3 most recent CDRs are less than 15%

- 1 disbursement for single term loans
- No 30 day delay for first-time first-year undergraduate borrowers

Most recent CDR is less than 5%

- For a study abroad program, may make 1 disbursement for a full loan period
- For a study abroad program, no 30 day delay for first-time first-year undergraduate borrowers

3 Year Cohort Default Rate REWARDS

Rewards take effect as soon as the school is notified of the official CDR.

Loss of rewards take effect 30 days after the official CDR is received.

3 Year Cohort Default Rate SANCTIONS

3 most recent CDRs are 30% or greater	Current CDR is 40% or more
• Loss of eligibility for Direct Loan & Pell Grant	• Loss of eligibility for Direct Loan

3 Year Cohort Default Rate SANCTIONS

Sanctions begin 30 days after the school receives notice of loss of eligibility.

Loss of eligibility affects the remainder of the fiscal year in which the school was notified of the sanction. It remains in effect for an additional two fiscal years.

A successful adjustment appeal will end the sanction early.

MCC Almost Loses Title IV Eligibility

- FY 2009, 2010 and 2011 draft rates were over 30%
- MCC was close to losing Title IV funding
- At the time on average, 65% of MCC students utilized Title IV aid
  - Current Title IV aid usage is around 40%
- Losing Title IV funding would have been detrimental to the college

Challenges, Adjustments, & Appeals

Challenges
(Draft Rate)

- Incorrect Data Challenge (IDC)
- Participation Rate Index Challenge (PRI)

Adjustments
(Official Rate)

- Uncorrected Data Adjustment (UDA)
- New Data Adjustment (NDA)

Appeals
(Official Rate)

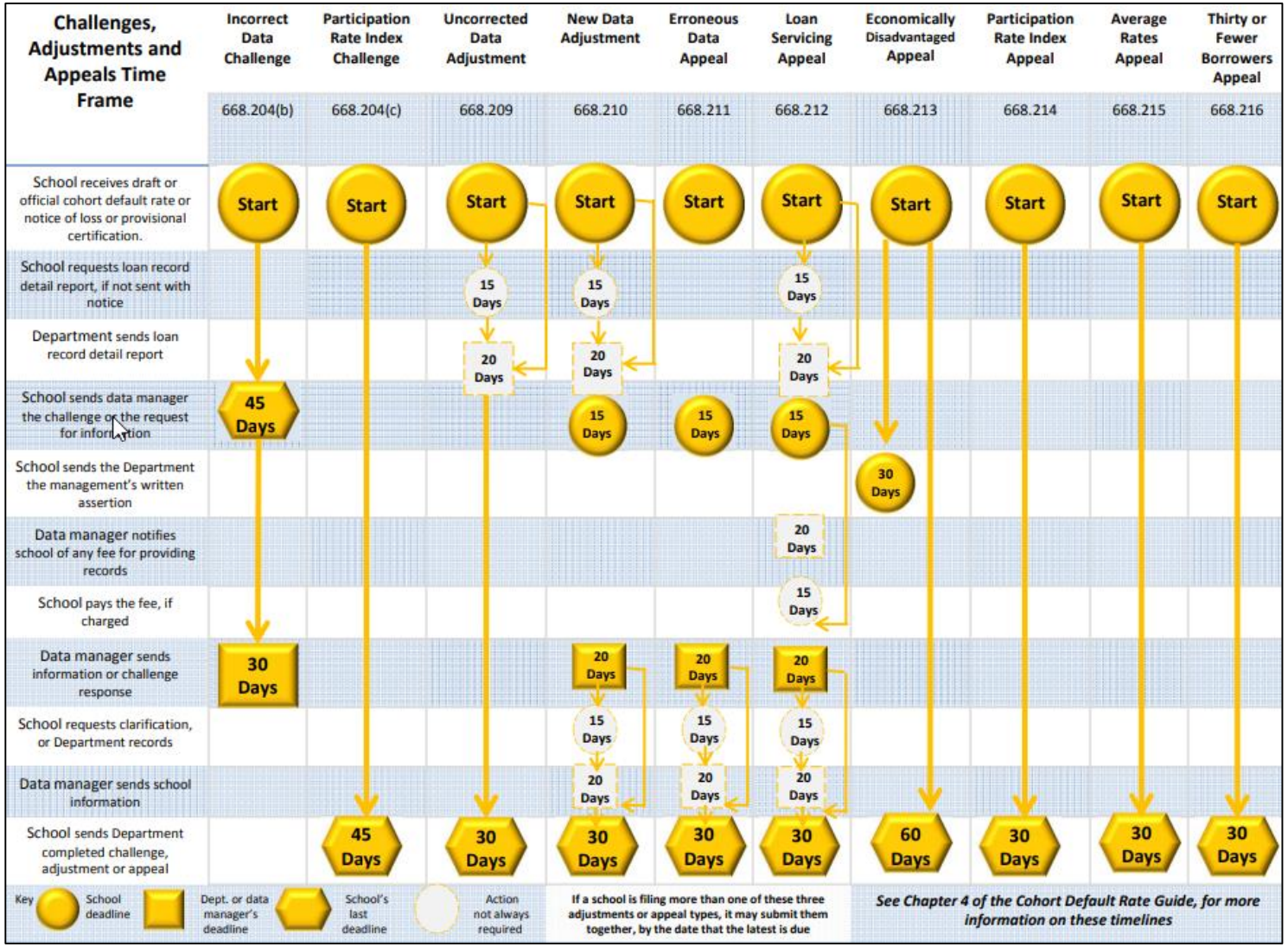
- Loan Servicing Appeal (LS)
- Erroneous Data Appeal (ER)
- Economically Disadvantaged Appeal (EDA)
- Participation Rate Index Appeal (PRI)

Challenges

Type of Challenge	Definition	When Filed	Why Filed
Incorrect Data Challenge (IDC)	Data exists to show that borrowers were reported incorrectly	During the Draft Period	Correction of data will impact the official rate • Borrower did not enter repayment during cohort year • Borrower did not default during the monitoring period • Other borrowers entered repayment during the cohort period

Institutional CDR Calculations by CDR Year

https://ifap.ed.gov/sites/default/files/attachments/2019-06/CDRGudeAppendixA.pdf



Incorrect Data Challenge

Types of Incorrect Data

1. Default date or status is incorrect and borrower should not be included in the numerator
2. Borrower did not enter repayment in the cohort fiscal year and should not be included in the numerator or the denominator
3. Borrower is incorrectly excluded from the cohort and should be added to the denominator

Incorrect Data Challenge

Documentation of Incorrect Data

- Documentation to show correct last date of attendance or less than half time status
- Documentation to show that a loan was fully refunded and canceled within 120 days of disbursement
- Documentation of borrower’s death

Default Management Plans

Voluntary

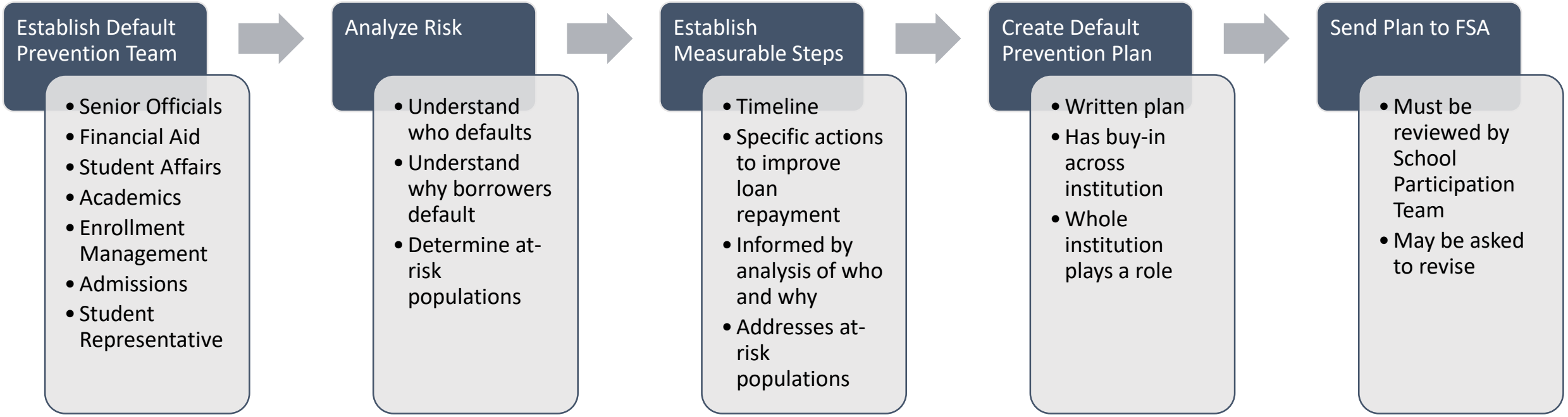
- Promote repayment
- Reduce risk of default

Involuntary

- Required if CDR is greater than 30%
- Must be revised if over 30% for a second year
- Must be submitted to FSA

Every school should have a Default Management Plan!

Default Management Plans



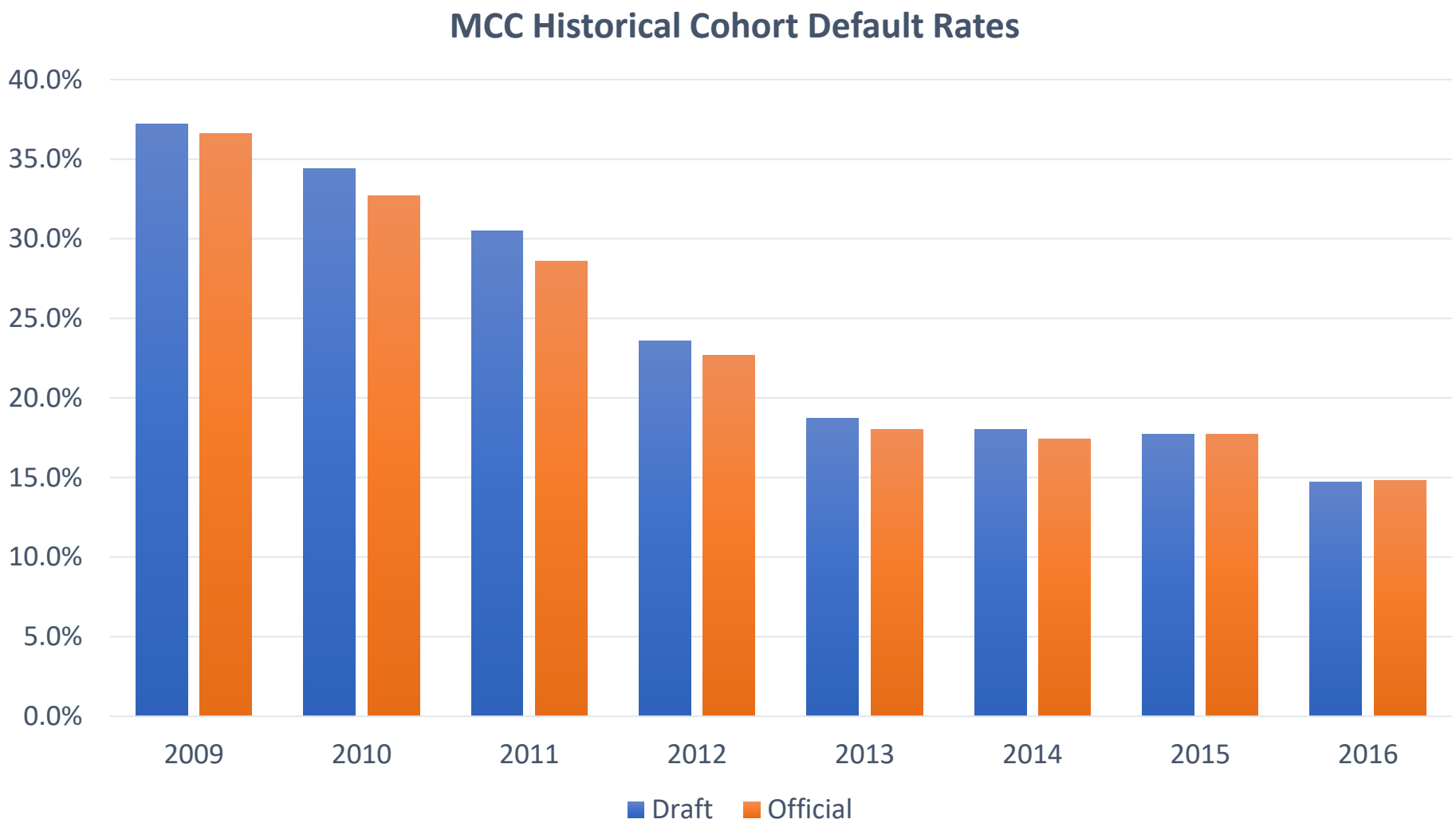
MCC Actions

- FA staff tirelessly went thru every loan disbursed and challenged all that may have been incorrect
  - Discovered enrollment reporting errors
  - Discovered loan servicing errors
  - Was able to bring the 3rd year draft rate over 30% down to 28.6%, saving Title IV funding for MCC
  - Since then, the CDR has gradually decreased with growing efforts
- 30-day delay for first time borrowers
  - Financial awareness counseling (Now, annual borrower acknowledgment) required
- Hired a default management person to contact borrowers to avoid default
  - Phone
  - USPS mailings
  - Emails

- Partnered with Solutions at ECMC
  - Not a debt collector
  - Third party non-profit organization to help borrowers avoid default
  - In grace outreach
  - Inbound/outbound calls
  - Online chat
  - Provide one-on-one counseling
  - Debt summary letters
  - Printable learning resources
  - Preparing for college workbooks for first time college students
- (2021) Financial literacy platform, free to everyone ECMCLearning.org/Mohave
  - Learning modules
  - Budgeting tools
  - Tailored to user

- (2021) Financial Aid Student Support Coordinator position created to:
  - Create a robust financial literacy program
  - Main focus, lowering CDR
    - CDR goal of 5% or less
  - In person Entrance/Exit counseling
  - Financial literacy Zoom sessions
  - In person student loan counseling
  - Boomer’s Buggy
  - Outreach to borrowers
    - In grace outreach
    - Inbound/outbound calls
    - USPS mailings
    - Emails
    - Tube mailers
    - Post cards
  - Sense with Cents scholarship created (2022)
    - Based on modules completed successfully in ECMC Learning platform
    - Intended to encourage students to participate in financial literacy

It works!


MCC Historical Cohort Default Rates
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
2009
2010
2011
2012
2013
2014
2015
2016
Draft
Official

Resources

FSA's Default Management Page	https://ifap.ed.gov/dm
Cohort Default Rate Guide	https://ifap.ed.gov/dm/cdrguidemaster
FSA Handbook Vol 2, Chpt 4	https://ifap.ed.gov/sites/default/files/attachments/2020-01/1920FSAHbkVol2Ch4.pdf
FSATC slides, 2019, Session #28	https://fsaconferences.ed.gov/2019sessionlist.html
NSLDS Reference Materials	https://ifap.ed.gov/ilibrary/document-types/nslds-reference-materials
eCDR Appeals system	https://ecdrappeals.ed.gov/ecdra/index.html
eCDR User Guides	https://ecdrappeals.ed.gov/ecdra/docs/help.html

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QUESTIONS?