

What's In A CDR?

Think About Tomorrow®

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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



The cohort default rate (CDR) is based on the number of borrowers entering repayment, not the number and types of loans entering repayment



Cohort Default Rate - Definition

A school's cohort default rate is the percentage of a school's borrowers who enter repayment on a loan during the fiscal year and default within the cohort default period.

***For schools who have 30 or more current or former students entering repayment during the fiscal year.*



Cohort Default Rate - fyi

Cohort default rates are based on federal fiscal years. *Federal fiscal years* begin Oct. 1 of a calendar year and end on Sept. 30 of the following calendar year.

The phrase "cohort fiscal year" refers to the fiscal year for which the cohort default rate is calculated. For ex. When calculating the 2007 cohort default rate, the cohort fiscal year was fy2007 (Oct. 1, 2006 to Sept. 30, 2007).



Cohort Default Period - fyi

Refers to the two-year period that begins Oct. 1 of the fiscal year when the borrower enters repayment and ends on Sept. 30 of the following fiscal year. This is the period during which a borrower's default affects the school's cohort default rate.



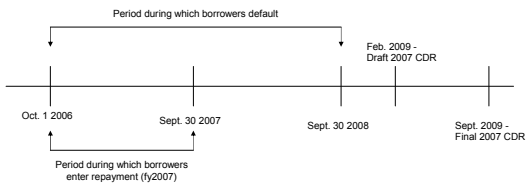
Cohort Default Period – going forward

Refers to the *three*-year period that begins Oct. 1 of the fiscal year when the borrower enters repayment and ends on Sept. 30 of the 2nd following fiscal year. This is the period during which a borrower's default affects the school's cohort default rate.



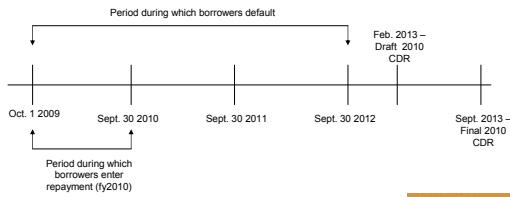
Timeline

2 year Cohort Default Rate Calculation (example)



Timeline

3 year Cohort Default Rate Calculation (example)



How the CDR is Calculated

Number of student loan borrowers who entered repayment during a specific fiscal year and have entered default within the same or following two fiscal years

Number of student borrowers who entered repayment during the initial or specified fiscal year

Multiplied by 100

Note: this formula is for schools with thirty (30) or more student borrowers who entered repayment.



2 Year Cohort Default Rate Calculation (examples)

2002	Borrower who entered repayment in fy2002 and defaulted in 2002 and 2003	10/01/2001 to 09/30/2003
	Borrowers who entered repayment in fy2002	10/01/2001 to 09/30/2002
2004	Borrowers enter repay in fy2004 and default in 2004 or 2005	10/01/2003 to 9/30/2005
	Borrowers who enter repay in fy2004	10/1/2003 to 9/30/2004



3 Year Cohort Default Rate Calculation (examples)

2009	Borrower who entered repayment in fy2009 and defaulted in 2009, 2010, and 2011	10/01/2008 to 09/30/2011
	Borrowers who entered repayment in fy2009	10/01/2008 to 09/30/2009
2011	Borrowers enter repay in fy2011 and default in 2011, 2012 or 2013	10/01/2010 to 9/30/2013
	Borrowers who enter repay in fy2011	10/1/2010 to 9/30/2011





Types of Loans Included in CDR Calculation

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





Types of loans NOT included in CDR Calculations

- Federal PLUS Loans
- Federal Graduate / Professional PLUS Loans (FFEL / Direct)
- Federal Insured Student Loans (FISLs)
- Federal Perkins Loans (they have a separate CDR calc)





Which borrowers are included in the denominator?

Borrowers are included in the denominator based on when their loans enter repayment

- Repayment begins 6 months after the borrower separates
- Official repayment date is the first day after the end of the grace period
- Even if the borrower uses a deferment or forbearance, they are still included





Which borrowers are included in the numerator?

- Only borrowers included in the denominator can be included in the numerator
- For FFEL, only if the guaranty agency has paid a default claim to the lender holding the loan. The claim date (the date the GA pays the lender) is used to determine what year the loan defaults
- For DL, a loan is considered in default after 360 days of delinquency





How does Consolidation affect the numerator?

- Consolidation loans are not directly included in the CDR calculation
- They 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)

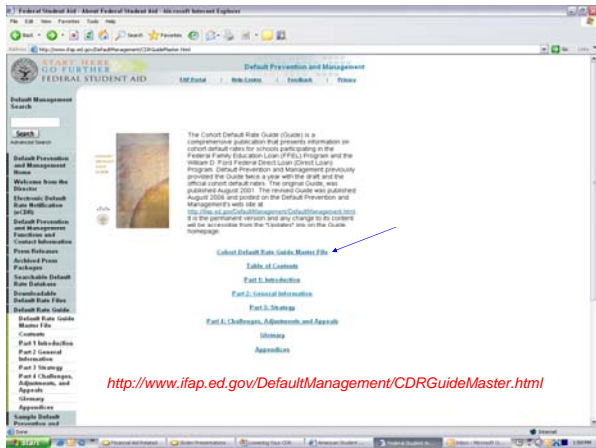




How do Rehabilitations affect the numerator?

- Once a borrower makes the required payments, the loan is rehabilitated and no longer in default
- If loan is rehabilitated before the end of the cohort default period, borrower is not included in the CDR
- If the loan is rehabilitated after the end of the cohort default period, the borrower is still considered to be in default for purposes of the CDR calculation





How to Appeal

- Detailed information in Cohort Default Rate Guide (pages 3.1-5 – 3.1-6).
- Allegations re: accuracy of data on LRDR usually fall into three main categories:
 - Incorrectly reported: data elements in LRDR are not reported correctly
 - Incorrectly included: borrowers are included, but should not be
 - Incorrectly excluded: borrowers have not been included but should be
- LRDR = Loan Record Detail Report



How to Appeal

- A school must review the data in their Draft Cohort Default Rate
 - If incorrect data is present, the school must appeal
 - If school does not appeal during the draft period, they cannot appeal this same information when the final CDR numbers are released
- A school can appeal data at the time of the Final Cohort Default Rate **if** it is new data that has been included since the draft, or if the school appealed the same data during the draft period, but it has not yet been updated.



Review Data Regularly

- The publication "Ensuring Student Loan Repayment" describes best practices in default prevention, and can be downloaded from "Default Rate Materials" on the IFAPWeb site:<http://ifap.ed.gov>.
- *School Repayment Information Loan Detail (DRC015)* provides the current repayment status of certain borrowers in the FFEL and Direct Loan 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.
- *Instructions for getting reports from NSLDS can be found immediately following page 3.2-3.*

Determining Target CDR And At Risk Population



Determine Your Target CDR

Once you determine the target CDR for your institution, how do you find the maximum number of defaults allowed to keep you at that rate?



Maximum Number of Defaults Allowed

Target cohort default rate:	4%
Number of borrowers who entered repayment between 10-01-05 and 9-30-06:	5,000
Maximum number of defaults allowed:	200
Increase in 2006 cohort default rate for every borrower who defaults during the cohort period:	0.02%

Projecting Your CDR

Default Rate Projection
Cohort Fiscal Year (CFY) 2006

Cohort Default Rate Elements		
Borrowers who entered repayment in CFY 2006 and already in default	A	110
Borrowers who entered repayment in CFY 2006 and are \geq 320 days delinquent	B	60
Borrowers who entered repayment in CFY 2006	C	5,000
Cohort Default Rate (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%

Difference between 2 year and 3 year Cohort Default Rates



**Difference between 2 and 3 year calculation –
Real Example**

	2 year CDR	Estimated 3 year CDR
Community College	14.38%	21.75%
For profit	1.71%	3.66%
Private	5.04%	
Public	12.11%	
For profit	8.13%	
Public	1.74%	

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Public	12.11%	19.98%
For profit	8.13%	19.58%
Public	1.74%	4.58%

Questions