What's In A CDR?

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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?

- Measures the percentage of borrowers defaulting during a specific time period.
- Can result in either benefits or sanctions for a school depending on how low or high the CDR is.
    - o Benefits can ease certain regulations on the school relating to loan processing.
    - o Sanctions can result in the school losing eligibility to give federal financial aid.

Borrowers, Not Loans

CDR is calculated based on the number of borrowers entering repayment, not the number and types of loans entering repayment.

Definition of CDR

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

**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

- CDRs are based on the federal fiscal year (FFY).
- The FFY begins October 1 and ends on September 30 of the following calendar year.
- The phrase “cohort fiscal year” refers to the fiscal year for which the CDR is calculated (not the year that 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).

Cohort Default Period—Current State

The cohort default period is the period during which borrower defaults affect the school’s CDR.

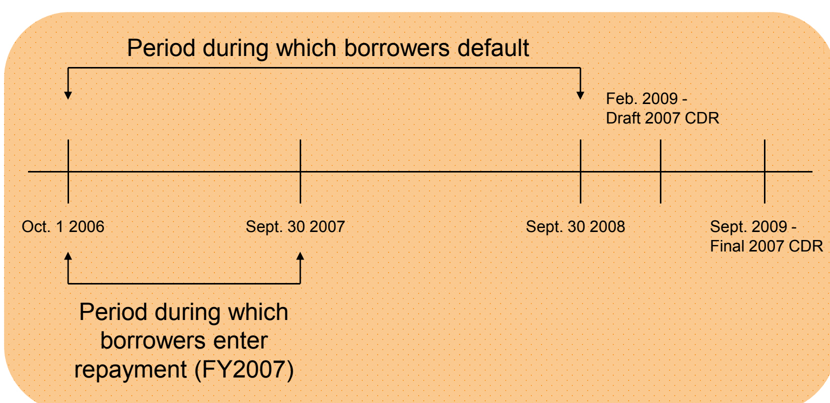
This is the 2-year time frame that begins October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following fiscal year.

Cohort Default Period—Going Forward

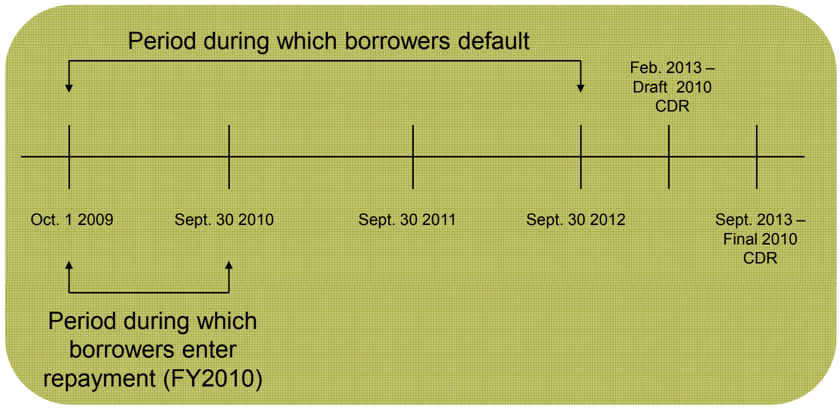
Beginning in 2011, CDR will measure the percentage of borrowers who default within the first 3 years after entering repayment.

Going forward, the 3-year period will begin October 1 of the fiscal year when the borrower enters repayment and end on September 30 of the second following fiscal year. During this period, borrower defaults will affect the school's CDR.

2-year CDR Calculation Timeline



3-year CDR Calculation Timeline



How CDR Is Calculated

Numerator:

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

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Denominator:

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

×100

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

2-Year CDR Calculation—Example

2002	Borrowers who enter repayment in FFY2002 and default in 2002 and 2003 / Borrowers who enter repayment in FFY2002	October 1, 2001, to September 30, 2003 / October 1, 2001, to September 30, 2002

3-Year CDR Calculation—Example

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

Types of Loans Included in CDR Calculation

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

Types of Loans NOT Included in CDR Calculation

- Parent PLUS loans
- Grad PLUS loans
- Federal Insured Student Loans (FISL)
- Perkins loans (have a separate CDR calculation)

Which Borrowers Are Included in the Denominator?

Borrowers are included in the denominator based on their repayment start date.

- Repayment begins 6 months after the borrower separates.
- 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.

Which Borrowers Are 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 claim date (the date the guarantor pays the lender) determines what year the loan defaults.

Direct Loan program (DL) loans enter 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.

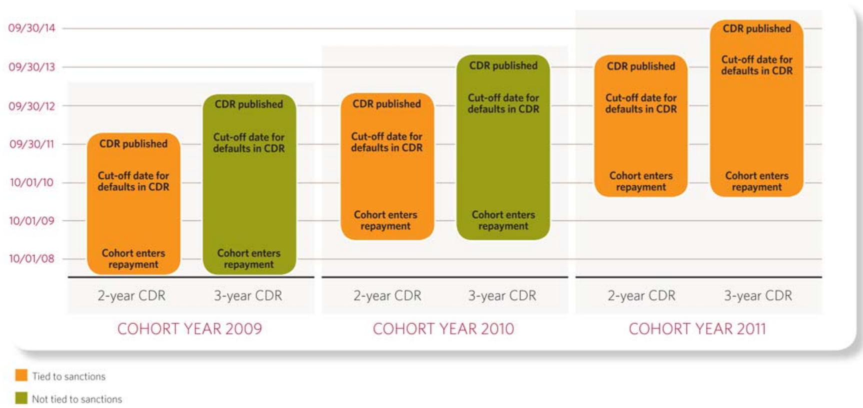
If the loan is rehabilitated before the end of the cohort default period, the borrower is not included in the numerator.

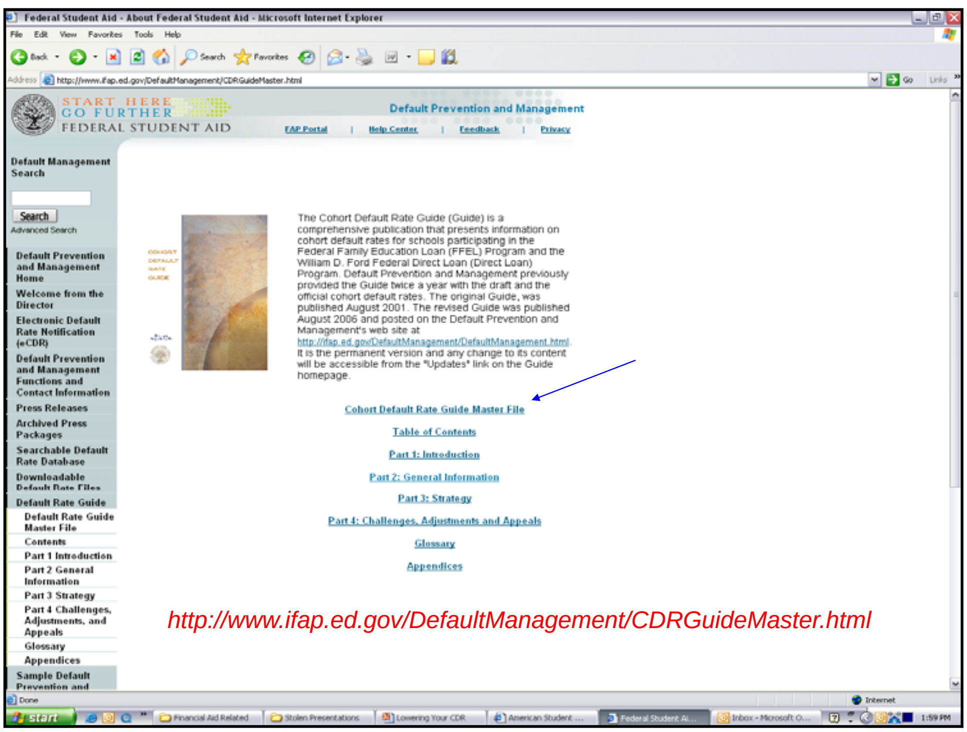
If the loan is rehabilitated after the end of the cohort default period, the borrower is still considered to be in default for the purposes of the CDR calculation.

CDR – The Transition

The 2008 reauthorization of the Higher Education Act redefined the cohort default rate (CDR) measurement. Instead of including borrowers who defaulted within their first 2 years of repayment, CDRs now include borrowers through their first 3 years of repayment.

The transition to the 3-year CDR begins with cohort year 2009. However, no institutional sanctions will be taken based on 3-year CDRs until the transitional period ends with cohort year 2011. For that cohort, the 2-year CDR and the 3-year CDR will both be official. To help you understand the sanctions, benefits, and borrowers tied to each CDR, American Student Assistance® (ASA) created these graphs and table.





http://www.ifap.ed.gov/DefaultManagement/CDRGuideMaster.html

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 within 45 days.
  - If school does not appeal during the draft period, they cannot appeal this same information when the Final Cohort Default Rate 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 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.
- Instructions for getting reports from NSLDS can be found immediately following page 3.2-3.

Determining Target CDR and At-Risk Populations

Maintaining Your School's CDR

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

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%

Default Rate Projection Example
Cohort Year (CY) 2006

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 ≥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 ≥320 days delinquent default	B/C	1.2%
Projected CDR based on actual defaults and current delinquencies ≥320 days	(A+B)/C	3.4%

Difference between 2-Year and 3-Year Cohort Default Rates

Difference between 2 and 3 year calculation

Increases in Cohort Default Rates (2-year vs 3-year window)			
Institution Type	**FY2004 2 year rate**	**FY2004 3-Year Rate**	**Increase in Default Rates**
Public	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%
Private	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%
Proprietary	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%
Foreign	1.5%	2.5%	67%
Unclassified	5.5%	10%	82%
Total	5.1%	8.6%	69%

From http://www.finaid.org/loans/cohortdefaultrates.phtml

Difference between 2 and 3 Year Calculation – Real Examples

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

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