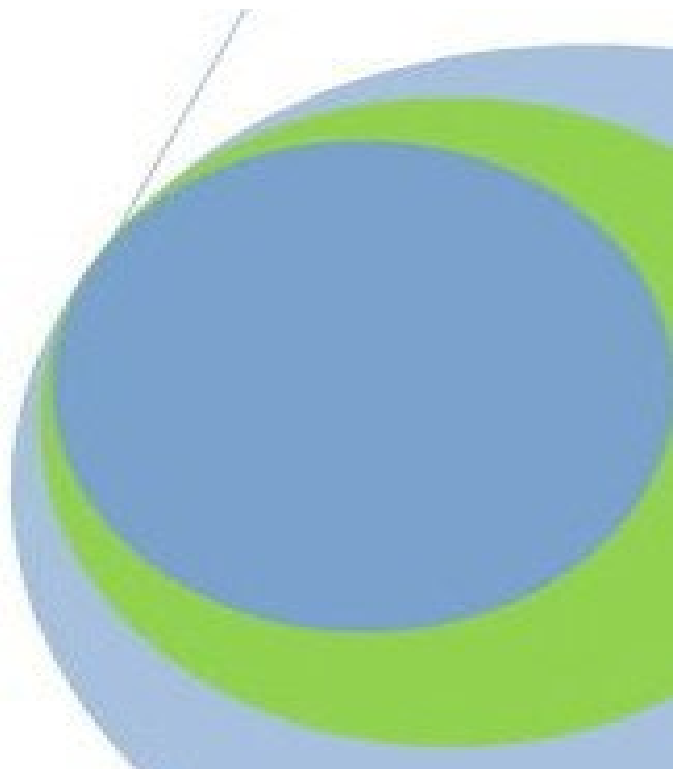


## 2.1 How The Cohort Default Rates Are Calculated

Understanding The CDR Calculation Process



## What is a cohort default rate?

For schools having 30 or more borrowers entering repayment in a fiscal year, the school's cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loans (FFELs) and/or William D. Ford Federal Direct Loans (Direct Loans) during that fiscal year and default (or meet the other specified condition) within the cohort default period. For schools with 29 or fewer borrowers entering repayment during a fiscal year, the cohort default rate is an "average rate" based on borrowers entering repayment over a three-year period.

### "Cohort Default Period"

The phrase "cohort default period" refers to the **three-year period** that begins on October 1st of the fiscal year when the borrower enters repayment and ends on September 30th **of the second fiscal year following the fiscal year in which the borrower entered repayment**. This is the period during which a borrower's default affects the school's cohort default rate.

Cohort default rates are based on federal fiscal years. Federal fiscal years begin October 1st of a calendar year and end on September 30th of the following calendar year. Each federal fiscal year refers to the calendar year in which it *ends*.

The phrase "cohort fiscal year" or "cohort year" refers to the fiscal year for which the cohort default rate is calculated. For example, when calculating the 2014 cohort default rate, the cohort fiscal year is FY 2014 (October 1, 2013 to September 30, 2014).

The phrase "other specified condition" occurs when the school's owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment to prevent a borrower's default on a loan that entered repayment during the cohort fiscal year, before the end of the cohort default period. In such a situation, the borrower is considered in default for cohort default rate purposes. For the purposes of this Guide, the phrase "other specified condition" will always refer to this situation.

## Which types of loans are included in the cohort default rate calculation?

The FFELs included in the cohort default rate calculation are:

- ◆ Subsidized and unsubsidized Federal Stafford Loans (collectively referred to as Federal Stafford Loans) and

The Direct Loans included in the cohort default rate calculation are:

- ◆ Federal Direct Subsidized Stafford/Ford Loans and Federal Direct Unsubsidized Stafford/Direct Loans (collectively referred to as Direct Stafford/Ford Loans).

The following loans are not included in the cohort default rate calculation:

- ◆ Federal PLUS Loans;
- ◆ Federal Graduate/Professional PLUS Loans;
- ◆ Federal Direct Graduate/Professional PLUS Loans;
- ◆ Federal Insured Student Loans (FISLs); and
- ◆ Federal Perkins Loans. (Please note that Federal Perkins Loans have separate cohort default rate calculations.)

Federal Consolidation Loans and Federal Direct Consolidation Loans are not directly included in the cohort default rate calculation. However, the status of a consolidation loan may affect the cohort default rate calculation. Please refer to the section of this chapter entitled, “How do consolidation loans affect the numerator of the cohort default rate calculation?” for more information on how consolidation loans may affect the cohort default rate calculation.

## How does the Department calculate a school’s cohort default rate?

The formula the Department uses for calculating a school’s cohort default rate depends on the number of borrowers from that school entering repayment in a particular cohort fiscal year and the number of cohort default rates previously calculated for the school. Note that cohort default rates are based on the number of borrowers who enter repayment, not the number of loans that enter repayment. A borrower with multiple loans from the same school whose loans enter repayment during the same cohort fiscal year will be included in the formula only once for that cohort fiscal year.

**Loans included in default rate calculation:**

- Federal Stafford
- Direct Stafford/Ford

**NOT Included:**

- PLUS
- Perkins
- FISL

**Regulatory citations:**

**34 CFR 668.200  
34 CFR 668.202**

**The cohort default rate is based on the number of borrowers entering repayment, not the number of loans entering repayment.**

The two types of formulas used to calculate a school’s cohort default rate are the Non-Average Rate Formula and the Average Rate Formula. For each of these formulas, the cohort default rate is obtained by dividing the numerator by the denominator and then expressing the result as a percentage. The borrowers included in the numerator and the denominator varies, depending on the type of formula used.

## Calculation of non-average cohort default rates

<b>Cohort Fiscal Year</b>	<b>Year Published</b>	<b><u>Borrowers in the Numerator</u> <u>Borrowers in the Denominator</u></b>	<b><u>3-Yr Time Period (Numerator)</u> <u>1-Yr Time Period (Denominator)</u></b>
<b>2019</b>	2022	Borrowers who entered repayment in 2019 <u>and defaulted in 2019, 2020 or 2021</u> Borrowers who entered repayment in 2019	<u>10/01/2018-9/30/2021</u> 10/01/2018-9/30/2019
<b>2020</b>	2023	Borrowers who entered repayment in 2020 <u>and defaulted in 2020, 2021 or 2022</u> Borrowers who entered repayment in 2020	<u>10/01/2019-9/30/2022</u> 10/01/2019-9/30/2020
<b>2021</b>	2024	Borrowers who entered repayment in 2021 <u>and defaulted in 2021, 2022 or 2023</u> Borrowers who entered repayment in 2021	<u>10/01/2020-9/30/2023</u> 10/01/2020-9/30/2021
<b>2022</b>	2025	Borrowers who entered repayment in 2022 <u>and defaulted in 2022, 2023 or 2024</u> Borrowers who entered repayment in 2022	<u>10/01/2021-9/30/2024</u> 10/01/2021-9/30/2022
<b>2023</b>	2026	Borrowers who entered repayment in 2023 <u>and defaulted in 2023, 2024 or 2025</u> Borrowers who entered repayment in 2023	<u>10/01/2022-9/30/2025</u> 10/01/2022-9/30/2023

*The chart (above) outlines the timeframes used when calculating cohort default rates for schools with 30 or more borrowers in repayment for the cohort fiscal years 2019 through 2023. This chart does not address average rate cohort default rates (calculated for schools having less than 30 borrowers entering repayment during the cohort fiscal year. See discussion below in box entitled “Average Rate Formula”). The first column in the table shows the cohort fiscal year. The second column shows the year the cohort default rate will be published. The third column shows the borrowers included in the cohort default rate calculation for that cohort fiscal year. The fourth column shows the time periods used for the numerator and the denominator listed in the third column.*

*Borrowers in the denominator in the third column are those who entered repayment during the time period shown in the denominator in the fourth column (i.e., the cohort fiscal year). Borrowers in the numerator are those who, having entered repayment during the cohort fiscal year, defaulted or met the other specified condition during the time period shown in the numerator in the fourth column.*

*In a mathematical formula, the numerator is always listed first and the denominator listed second; the mathematical formulas in this Guide will be written this way. However, in the text of this Guide the denominator will always be discussed before the numerator is discussed. This is because the numerator is a subset of the denominator in all of the formulas contained in this Guide.*

## **Which formula does the Department use to calculate a school's DRAFT cohort default rate?**

The Department always uses the non-average rate formula for calculating a school's *draft* cohort default rate. In contrast to an official average rate, the draft rate is based only on a school's most recent cohort fiscal year data (the number of borrowers from that school entering repayment in that cohort fiscal year and the number of borrowers defaulting or meeting other specified condition during the associated cohort default period). Therefore, schools with 29 or fewer borrowers entering repayment cannot use the draft rate to anticipate their official (average rate) cohort default rate. Schools with 29 or fewer borrowers entering repayment must perform a manual calculation using the average rate formula to anticipate their official cohort default rate.

## **Which formula does the Department use to calculate a school's OFFICIAL cohort default rate?**

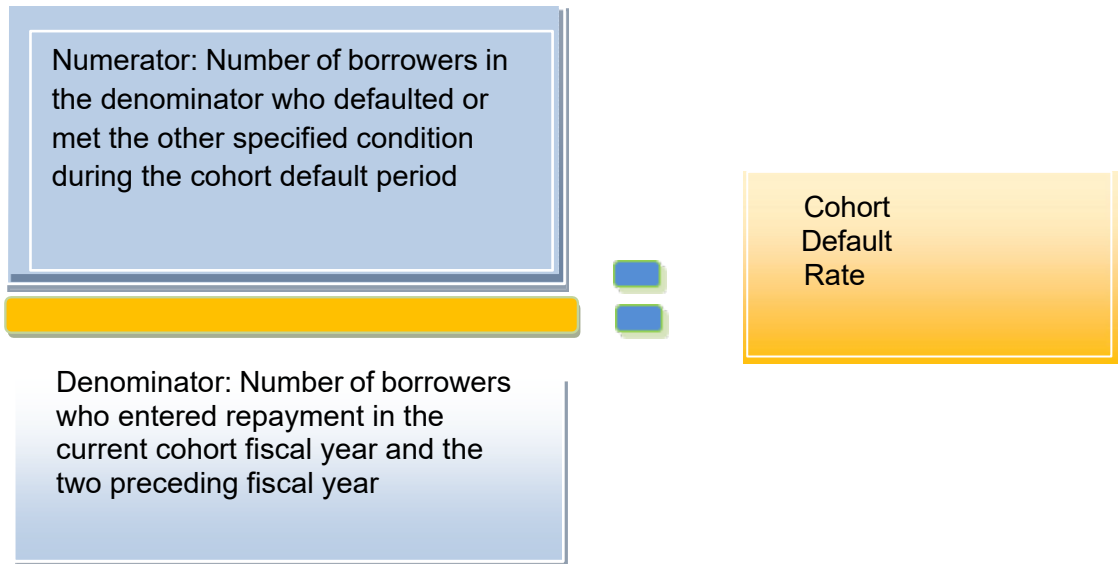
The Department uses the non-average rate formula or the average rate formula to calculate a school's official cohort default rate, depending on the number of borrowers entering repayment.

**An official cohort default rate cannot be calculated for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if the school did not have an official or unofficial rate calculated for either or both of the 2 previous cohort fiscal years. Such a school will have an unofficial rate calculated using the non-average formula and current year data. *Unofficial rates don't meet the statutory definition for cohort default rates and cannot be used to determine sanctions and benefits.***

## Average Rate Formula

The Average Rate Formula is used to calculate the official cohort default rate for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if that school had a cohort default rate calculated for the two previous cohort fiscal years.

Average Rate Calculation: The denominator for the average cohort default rate is the number of borrowers who entered repayment in the current cohort fiscal year and the two preceding cohort fiscal years. The numerator for the average cohort default rate is the number of borrowers who entered repayment in the current cohort fiscal year or either of the two preceding cohort fiscal years and who defaulted or met the other specified condition in the cohort default period for the cohort fiscal year in which they entered repayment.



*Average Rate Example:* School B, a degree-granting school, certified loans for the following students: 29 borrowers who entered repayment in the current cohort fiscal year (of whom 2 defaulted in that cohort default period), 44 borrowers who entered repayment in the fiscal year immediately preceding the current cohort fiscal year (of whom 7 defaulted in the associated cohort default period), and 50 borrowers who entered repayment in the fiscal year two years prior to the current cohort fiscal year (of whom 3 defaulted in the associated cohort default period). The 123 borrowers (29 + 44 + 50 = 123) who entered repayment in these three fiscal years constitute the denominator. The numerator consists of the 12 borrowers (2 + 7 + 3 = 12) who defaulted in the relevant cohort default periods. School B's cohort default rate is calculated by dividing 12 by 123 (12 ÷ 123 = 0.097) and expressing the result (0.097) as a percentage to produce an average cohort default rate of 9.7 percent (0.097 x 100 = 9.7).

$$\begin{array}{cccc}
 12 & \div & 123 & = & 9.7\% \\
 \text{borrowers} & & \text{total borrowers} & & \text{Cohort} \\
 \text{defaulted} & & \text{in repayment} & & \text{default} \\
 & & & & \text{rate}
 \end{array}$$

## Non-Average Rate Formula

*The Non-Average Rate Formula is used for a school with 30 or more borrowers entering repayment during a cohort fiscal year.*

Non-Average Rate Calculation: For this calculation, the denominator is the number of borrowers who entered repayment in the cohort fiscal year; the numerator is the number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met the other specified condition in the cohort default period.

Numerator: Number of borrowers in the denominator who defaulted or met the other specified condition during the cohort default period

Denominator: Number of borrowers who entered repayment in the cohort fiscal year

Cohort Default Rate

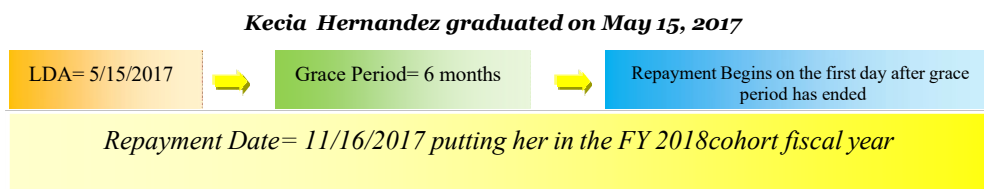
Non-Average Rate Example: School A, a degree-granting school, had 90 borrowers enter repayment in the cohort fiscal year (denominator). Of those, 8 borrowers defaulted in the cohort default period (numerator). School A's cohort default rate is calculated by dividing 8 by 90 ( $8 \div 90 = 0.088$ ) and expressing the result (0.088) as a percentage to produce a non-average cohort default rate of 8.8 percent ( $0.088 \times 100 = 8.8$ ).

$$\begin{array}{l} 8 \text{ borrowers} \\ \text{defaulted} \end{array} \div \begin{array}{l} 90 \\ \text{total borrowers} \\ \text{in repayment} \end{array} = 8.8\% \text{ Cohort} \\ \text{default} \\ \text{rate}$$

## Which borrowers are placed in the denominator of the cohort default rate calculation?

Borrowers are included in the denominator of the cohort default rate calculation based on when their loans entered repayment. Except for an average cohort default rate calculation, borrowers included in the denominator of a cohort default rate calculation are the borrowers with relevant loans that entered repayment during that cohort fiscal year. Borrowers included in the denominator of an average cohort default rate calculation are the borrowers who entered repayment on relevant loans during that cohort fiscal year or the prior two fiscal years.

A Federal Stafford Loan or Direct Stafford/Ford Loan enters repayment under the requirements applicable to the type of loan. In most cases, they enter repayment after a 6-month grace period that begins when the borrower separates (graduates or withdraws) from school or drops below half-time enrollment. The official repayment date is the first day following the end of the 6-month grace period (see example below). Use of this date is dependent on the school providing notification as soon as possible, as mandated by regulations of any change in a student's enrollment status to National Student Loan Data System (NSLDS) or the data manager. If the school does not provide notification, the data manager will use the best information available to determine the repayment date. This date will be used for purposes of calculating the school's cohort default rate.



## Which borrowers are placed in the numerator of the cohort default rate calculation?

Borrowers must be included in the denominator of the cohort default rate calculation in order to be included in the numerator of the cohort default rate calculation. A FFEL or Direct Loan borrower is included in the numerator if the borrower defaults during the cohort default period or meets the other specified condition defined previously in this chapter.

For cohort default rate purposes, a FFEL that is not purchased by the Department is considered to be in default only if the guaranty agency has paid a default claim to the lender holding the loan. The claim paid date, which is the date the guaranty agency reimburses the lender for the defaulted loan, is used to determine if the borrower will be placed in the numerator of the calculation. If the claim paid date falls within the cohort default period, the borrower is included in both the denominator and numerator of the cohort default rate calculation.

For cohort default rate purposes, a Direct Loan, or a FFEL that has been purchased by the Department, is considered to be in default after 360 days of delinquency. If the default date falls within the cohort default period, the borrower will be included in both the denominator and the numerator of the cohort default rate calculation.



## **How do consolidation loans affect the numerator of the cohort default rate calculation?**

Although Federal Consolidation Loans and Direct Consolidation Loans are not directly included in the cohort default rate calculation, a defaulted consolidation loan may cause a borrower to be included in the numerator of the cohort default rate calculation. This occurs if the consolidation loan defaults within the cohort default period that is applicable to the underlying loan(s).

For example, Elizabeth entered into repayment on several Direct Stafford/Ford Loans in January of the cohort fiscal year. Because Elizabeth entered into repayment in January, she will be included in the denominator of the cohort default rate calculation. After entering into repayment on the Direct Stafford/Ford Loans, Elizabeth elects to consolidate the loans into a Direct Consolidation Loan. Elizabeth fails to make payments on the Direct Consolidation Loan and the loan defaults in June of the following calendar year. Even though the underlying Direct Stafford/Ford Loans did not default, Elizabeth will be included in the numerator of the cohort default rate calculation because the Direct Consolidation Loan defaulted during the cohort default period.

## **How does loan rehabilitation affect the numerator of the cohort default rate calculation?**

Student loan rehabilitation is a method by which a borrower may resolve the status of defaulted loans. Prior to July 1, 2006, a borrower who wanted to rehabilitate a defaulted loan was required to make 12 consecutive monthly payments on the loan. Effective on July 1, 2006, a borrower who wants to rehabilitate a defaulted loan must make 9 payments, each within 20 days of the due date, during a period of 10 consecutive months. The 9 payments in 10 months standard must be incorporated in the data manager's loan rehabilitation agreement with the borrower.

Once the borrower has made the required payments\* under the terms of the agreement, the loan is then rehabilitated and the borrower is no longer considered to be in default. For cohort default rate calculation purposes, if the borrower rehabilitates the loan before the end of the cohort default period, the borrower is not included in the numerator because the borrower is no longer considered to be in default. If the borrower rehabilitates the loan after the end of the cohort default period, the borrower is considered in default for cohort default rate purposes and is included in the numerator.

**\*In accordance with: Sections 428F(a) and 435(m)(2)(C) of the HEA and 34 CFR 682.405 (for FFELs) and Section 455(a)(1) of the HEA and CFR 685.211(f)(for Direct Loans)**

## **What special circumstances affect whether a borrower will be included in the cohort default rate calculation?**

The following tables outline some examples of special circumstances that affect the cohort default rate calculation. For convenience, these examples have been divided into four categories:

- ◆ Special circumstances involving schools (e.g., borrower takes out loans at more than one school).
- ◆ Special circumstances involving repayment (e.g., borrower consolidates defaulted loans, pays loans in full before entering repayment, etc.).
- ◆ Special circumstances involving loans that were discharged, canceled, or refunded (e.g., loan was discharged before repayment).
- ◆ Special circumstances involving loans that were repurchased (e.g., lender repurchases loan because it incorrectly submitted default claim to guaranty agency).

These special circumstances only affect the cohort default rate calculation if the school submits documentation of the special circumstance to the data manager. To use these tables, read down the left side column until you find an applicable situation, then read across to see how the cohort default rate calculation is affected.

**A school with a high default rate may lose its eligibility to participate in Federal Student Aid programs. See Chapter 2.4, “Cohort Default Rate Effects,” for more information on effects.  
DRAFT rates are generally sent to schools in February.  
OFFICIAL rates are sent by September 30th.  
See Chapter 2.2, “How Schools Get the Rates & Loan Data,” for more information on the release of the rates.**

## Special Circumstances Involving Schools

Situation	How It Affects the Denominator	How it Affects the Numerator
A borrower separates from the school that disbursed the loans but enrolls at that school or a different school before the end of the grace period.	The borrower is included in the cohort fiscal year when the borrower actually enters repayment. If the date a borrower enters repayment is delayed by the borrower re-enrolling in school, then the borrower's inclusion in a cohort default rate calculation will also be delayed.	The borrower is included if the borrower defaulted or met the other specified condition during the cohort default period.
A borrower obtained more than one loan to attend a school and the repayment dates for each of the loans fall into different cohort fiscal years.	The borrower is included in the cohort fiscal years when the borrower entered repayment. The borrower will appear in two different cohort default rate calculations for the same school if the borrower has two loans that enter repayment in different cohort fiscal years.	The borrower is included if the borrower defaulted or met the other specified condition during the relevant cohort default periods. The borrower will appear in different cohort default rate calculations for the same school if the borrower has multiple loans, enters repayment in separate cohort fiscal years, and defaults or meets the other specified condition during those cohort default periods.
A borrower takes out loans at more than one school.	The borrower is included in the cohort fiscal years when the borrower entered repayment for each school where the borrower obtained loans.	The borrower is included for the schools at which the loans were obtained if the borrower defaulted or met the other specified condition during those cohort default periods.
A school, its owner, its agent, contractor, employee, or another entity or individual associated with the school makes a payment on the borrower's loan in order to avoid default during the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the loan meets the other specified condition during the cohort default period.

## Special Circumstances Involving Repayment

Situation	How It Affects the Denominator	How it Affects the Numerator
The borrower enters repayment and subsequently obtains a deferment or forbearance on the loan.	The borrower is included in the cohort fiscal year when the borrower entered repayment. Deferments or forbearances do not alter the date the borrower entered repayment.	The borrower is included if the borrower defaulted or met the other specified condition during the cohort default period.
A borrower consolidates one or more defaulted loans.	The borrower is included in the cohort fiscal years when the borrower entered repayment on the underlying loans (the loans that the borrower consolidated), not based on the date that the consolidation loan entered repayment.	Even though the borrower has regained eligibility for Title IV funds by consolidating, the borrower is still considered to be in default for the purpose of calculating the school's cohort default rate.
A borrower requested and was granted a revised repayment schedule that started before the date the borrower was originally scheduled to enter repayment.	The borrower is included in the cohort fiscal year when the early repayment schedule begins. The early repayment date becomes the repayment date.	The borrower is included if the borrower defaulted or met the other specified condition during the cohort default period.
A borrower paid the loan in full before the date the loan was scheduled to enter repayment.	The borrower is included in the cohort fiscal year that the borrower paid the loan in full. The paid-in-full date becomes the new repayment date.	The borrower is not included because the borrower did not default, unless the loan was paid in full through a consolidation loan and the consolidation loan defaults during the cohort default period.
A borrower paid the loan in full after defaulting or meeting the other specified condition during the cohort default period but without rehabilitating the loan within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the loan was not successfully rehabilitated for cohort default rate purposes within the cohort default period.

## Special Circumstances Involving Loans That Were Discharged, Canceled, or Refunded

Situation	How It Affects the Denominator	How it Affects the Numerator
The borrower's loan was discharged due to bankruptcy, death, disability, or other type of loan discharge (not including closed school, false certification, or identity theft) before the borrower entered repayment.	The borrower is included in the cohort fiscal year based on the date the loan was discharged. The date of discharge becomes the date entered repayment.	The borrower is not included because the borrower did not default.
The borrower's loan was discharged due to bankruptcy, death, disability, or other type of loan discharge (not including closed school, false certification, or identity theft) after the borrower enters repayment but before the end of the cohort default period and before the borrower defaults or meets the other specified condition.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is not included because the borrower did not default.
The borrower enters repayment and defaults or meets the other specified condition during the cohort period. Subsequently, the loan is discharged due to bankruptcy, death, disability or other type of loan discharge.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the borrower defaulted or met the other specified condition during the cohort default period.
The borrower's loan was discharged due to school closure, false certification, and/or identity theft.	The borrower is not included because loans discharged due to school closure, false certification, and/or identity thefts are not included in the cohort default rate calculation.	The borrower is not included because loans discharged due to school closure, false certification, and/or identity thefts are not included in the cohort default rate calculation.
A loan was fully refunded or canceled, within 120 days of loan disbursement.	The borrower is not included because canceled loans are not included in the cohort default rate calculation.	The borrower is not included because canceled loans are not included in the cohort default rate calculation.
The loan was partially refunded within 120 days of loan disbursement.	The borrower is included in the cohort fiscal year when the borrower entered repayment on the portion of the loan that was not refunded.	The borrower is included if the borrower defaulted or met the other specified condition during the cohort default period.
The borrower dies after the borrower's loans enter repayment before the end of the cohort default period and before the borrower defaults or meets other specified condition.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is not included because the borrower died before going into default.

## Special Circumstances Involving Loans That Were Repurchased

Situation	How It Affects the Denominator	How it Affects the Numerator
A lender repurchased a defaulted loan because the guaranty agency determined that the lender did not meet the insurance requirements and, as a result, the loan lost insurance and became an uninsured loan.	The borrower is not included because uninsured loans are not included in the cohort default rate calculation.	The borrower is not included because uninsured loans are not included in the cohort default rate calculation.
A lender immediately repurchased a loan because the lender incorrectly submitted the default claim to the guaranty agency and does not submit another default claim within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is not included because the borrower is not in default.
A lender immediately repurchased a loan because the lender incorrectly submitted the default claim to the guaranty agency and later submits another default claim that is paid within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the subsequent default claim was paid within the cohort default period.
A lender made a courtesy repurchase of a defaulted loan because the borrower established a new repayment plan or for other reasons.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the original valid default claim was paid during the cohort default period.

## Effects of Corrected Data on Cohort Default Rate Calculations

How changes in data due to adjustments/appeals are reflected in the Cohort Default Rate calculation.

If the Department:	... and the borrower has <i>no other loans</i> included in the cohort default rate calculation:	... and the borrower has <i>other loans that are not in default</i> included in the cohort default rate calculation:	... and the borrower has <i>other loans that are in default</i> included in the cohort default rate calculation:
<b>Adds a defaulted loan...</b>	$\left[ \begin{array}{l} +B \\ +D \end{array} \right]$	+N	No effect.
<b>Subtracts a defaulted loan...</b>	$\left[ \begin{array}{l} -B \\ -D \end{array} \right]$	-N	Regardless of circumstance, if the borrower has other loans in default, the borrower is already included in both the numerator and denominator
<b>Adds a non-defaulted loan...</b>	+D	No effect.	
<b>Subtracts a non-defaulted loan...</b>	-D	No effect.	
<b>Changes a defaulted loan to a non-defaulted loan...</b>	-N	-N	
<b>Changes a non-defaulted loan to a defaulted loan...</b>	+N	+N	
<p>Legend:</p> <ul style="list-style-type: none"> <li>+ D Increase Denominator by one.</li> <li>+ N Increase Numerator by one.</li> <li>+ B Increase Denominator and Numerator by one.</li> <li>- B Decrease Denominator and Numerator by one.</li> <li>- D Decrease Denominator by one.</li> <li>- N Decrease Numerator by one.</li> </ul>			