



United States Department of Education
Federal Student Aid
National Student Loan Data System

**GA Cohort Default Rate Calculation Clarification and Submittal Load Edit
Changes
Technical Update GA-2002-06
June 17, 2002**

This information is intended for the person in your organization who is responsible for working with NSLDS. If that is not you, please forward this update to the appropriate person.

GA Cohort Default Rate Calculation Clarification

We have received several inquiries about cohort default rate logic concerning consolidation loans. In this technical update we would like to provide some clarification.

1. NSLDS looks at the date entered repayment of the underlying loans (loans that NSLDS has linked to a consolidation loan) to determine which cohort fiscal year the loan is counted
2. For underlying loans with a status of 'PC', 'PN', or 'DN', NSLDS looks to see if the guaranty date of the consolidation loan was on or before the end of the Cohort Period (2 year window beginning with Cohort Fiscal Year begin date)
3. If the consolidation loan was made prior to the end of the cohort period, then the underlying loan is counted in the consolidating agencies cohort rate
4. Likewise, if the consolidation loan defaults it would also be counted in the consolidating agencies cohort rate
5. If the consolidation loan was made after the end of the cohort period, the underlying loan is processed as if no consolidation loan had occurred.
6. Loans with the lender_of_last_resort flag set to 'Y' are NOT counted in the cohort default rate.

The date entered repayment is integral to the cohort default rate calculation. As a result, it is important that you ensure that this date is reported accurately to NSLDS.

1. For loans closed as a result of consolidation that have not entered repayment, set the date equal to the effective date of the loan status of 'PC', 'PN', or 'DN'.
2. The cohort default rate calculation uses the date entered repayment to determine which loans to count in the denominator. Continually moving the date entered repayment can cause a loan to be counted potentially in multiple cohort fiscal year calculations or if the date is incorrect, a loan could be counted in the wrong cohort fiscal year.

3. Many guarantor systems set the date entered repayment based on the anticipated completion date. It is important to update the date entered repayment to be equal to the borrower's separation date (withdrew, graduated, or less than half-time) plus grace plus a day. Furthermore, NSLDS does not use the anticipated completion date in its cohort default rate calculation.
4. In cases when the borrowers pay the loan in full while in school or grace, and prior to the end of the loan period, it is important that the date entered repayment be modified to the effective date of the loan being paid in full. A future date entered repayment remaining on a loan can cause the borrower to be counted in the wrong cohort unless it is a cancellation.

Note: If the loan is paid in full within 120 days of disbursement, then the loan is cancelled. Cancelled loans do not get counted in the cohort default rate calculation.

Error Identified in FY 2000 Draft Calculation

We have identified an error in the draft FY 2000 Cohort Default Rate calculation that impacted how the system calculates the Guarantor rates. In making an unrelated change to our program, we inadvertently affected how loans transferred from one guarantor to another are counted. Although the impact was negligible on the actual draft rates, we wanted to alert you of this issue. You may find instances of guarantee transfers that are either being counted in your rate and shouldn't be or vice versa. **The program has been corrected and will reflect appropriately during the official calculation in August 2002.**

Reporting Ineligible Borrower Claims Defaults

A loan for which the borrower is ineligible due to the borrower's or student's error is treated as a default if the borrower fails to repay the full amount due within 30 days after the final demand letter is mailed. For these loans to be appropriately reported to NSLDS and to be counted in the calculation for cohort default rates, it is important that the reason code for these claims be reported as 'DF'.

NSLDS Edit Changes

The following changes have recently been made in how NSLDS edits guarantor submittals.

1. The edits on Amount of Guaranty were changed to use net loan amount (i.e., Amount of Guaranty less Amount of Cancellation). Errors would be generated only if the net loan amount exceeded the amount specified in each edit. The edits would not apply to loans if the Date of Loan Guaranty were before October 1, 1994.

The edits would be revised (*change is in italics*) as follows:

- 650: For SF loans with Academic Level 1-5 *guaranteed on or after October 1, 1994* and not transferred, the Amount of Guaranty *less the Amount of Cancellation* must not exceed \$5,500.
 - 651: For SU loans with Academic Level 1-5 *guaranteed on or after October 1, 1994* and not transferred, the Amount of Guaranty *less the Amount of Cancellation* must not exceed \$27,167.
 - 669: For SF loans with Academic Level A-N *guaranteed on or after October 1, 1994* and not transferred, the Amount of Guaranty *less the Amount of Cancellation* must not exceed \$8,500.
 - 670: For SU loans with Academic Level A-G *guaranteed on or after October 1, 1994* and not transferred, the Amount of Guaranty *less the Amount of Cancellation* must not exceed \$45,167.
 - 703: For SF and SU loans transferred or *guaranteed before October 1, 1994*, the Amount of Guaranty must not exceed \$45,167 regardless of Academic Level.
2. The file tolerance edits on collections were changed to 30% (previously 50%) and TOP Offsets to 10% (previously 20%).
 3. The edit for loan status IA was changed to allow a later date than the guaranty date if IM is the previous loan status. Note: The current list of valid loan status codes distributed in GA Technical Update 2001-08 already reflects this exception.

If you have any questions about this technical update, please contact NSLDS Customer Service Center at (800) 999-8219, or e-mail them at nsldscoe@raytheon.com.