Introduction

A cohort default rate (CDR) is a measure used by the U.S. Department of Education (ED) and Federal Student Aid (FSA) to gauge a school’s performance in helping to prevent federal Stafford loan borrowers from defaulting. It’s important for campus leaders to be well informed about CDRs because a school’s continued participation in the federal financial aid programs (Title IV) can be positively or negatively affected by their CDR. Defaults have long-term serious consequences for borrowers, cost taxpayers money, and above-average CDRs can cause potential students and their families to think poorly of a school.

Federal Fiscal Year: October 1st to September 30th
Cohort Year: Same as federal fiscal year
(e.g. 10/01/2017 to 9/30/2018 = 2018 Cohort Year)

Cohort Default Period: 3-year period that begins October 1st of the fiscal year when the borrower enters repayment and ends on September 30th of the following two fiscal years.
(e.g. 10/01/2017 to 9/30/2020 = 2018 Cohort Default Period)

This document gives you an insider’s overview to CDRs and connects you to additional resources you may find helpful, like FSA’s Cohort Default Rate Guide. It is not meant to provide a complete understanding of CDRs.
What is a CDR?

A CDR 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.

**Example**

- **Numerator**: Number of borrowers in the denominator who defaulted during the cohort default period
  - 12

- **Denominator**: Number of borrowers who entered repayment during a cohort fiscal year
  - 123

**Calculation**

\[
\text{CDR} = \frac{\text{Numerator}}{\text{Denominator}} = \frac{12}{123} = 9.7\%
\]

What is the cohort default period?

The 3-year cohort default period begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following two fiscal years.

- **2018**: Fiscal year borrower enters repayment
- **2019**: Cohort default monitoring period
- **2020**: End of 3-YR cohort period
- **2021**: FY 2018 3-YR CDR calculated & released:
  - Feb 2021 draft rate
  - Sept 2021 official rate
How is a CDR calculated?

CDR is calculated based on the number of a school’s borrowers who enter repayment during the fiscal year and default (or meet the other specified condition) within the cohort default period.

<table>
<thead>
<tr>
<th>Cohort Fiscal Year</th>
<th>Year Published</th>
<th>Borrowers in the Numerator / Borrowers in the Denominator</th>
<th>3-YR Time Period (Numerator) / 1-YR Time Period (Denominator)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2021</td>
<td>Borrowers who entered repayment in 2018 and defaulted in 2018, 2019 or 2020 / Borrowers who entered repayment in 2018</td>
<td>10/1/2017 to 9/30/2020 / 10/1/2017 to 9/30/2018</td>
</tr>
<tr>
<td>2020</td>
<td>2023</td>
<td>Borrowers who entered repayment in 2020 and defaulted in 2020, 2021 or 2022 / Borrowers who entered repayment in 2020</td>
<td>10/1/2019 to 9/30/2022 / 10/1/2019 to 9/30/2020</td>
</tr>
<tr>
<td>2021</td>
<td>2024</td>
<td>Borrowers who entered repayment in 2021 and defaulted in 2021, 2022 or 2023 / Borrowers who entered repayment in 2021</td>
<td>10/1/2020 to 9/30/2023 / 10/1/2020 to 9/30/2021</td>
</tr>
<tr>
<td>2022</td>
<td>2025</td>
<td>Borrowers who entered repayment in 2022 and defaulted in 2022, 2023 or 2024 / Borrowers who entered repayment in 2022</td>
<td>10/1/2021 to 9/30/2024 / 10/1/2021 to 9/30/2022</td>
</tr>
</tbody>
</table>

(If a school has 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. For more details on this and the nuances of how the draft vs official CDRs are calculated please refer to FSA’s How The Cohort Default Rates are Calculated.)

When does a student loan default?

When a borrower hasn’t made a payment for 270 days, technical default begins on day 271. Thereafter there is an additional 90-day default filing period.

<table>
<thead>
<tr>
<th>In-School status ends</th>
<th>Grace</th>
<th>Official repayment-begin date</th>
<th>Default date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment</td>
<td>6 months</td>
<td>No payment for 360 days (270 days by regulation, plus an additional 90-day default filing period)</td>
<td>Borrower in CDR</td>
</tr>
</tbody>
</table>

The time when a borrower is added to the CDR numerator is:

- At the time of the claim payment by a guarantor on a FFELP loan, or
- On day 361 of delinquency on a Direct loan
How are CDRs delivered to schools?

CDRs are electronically delivered to schools that have signed up to receive them via the Student Aid Internet Gateway (SAIG), a tool for the secure exchange of data. Please visit FSA’s [SAIG Enrollment Site](#) to enroll, obtain access to various applications, or receive assistance.

When are CDRs published?

The draft CDR is published in February and the official CDR in September.

After CDRs are released, what should schools do next?

Schools receive a Loan Record Detail Report (LRDR) with their draft and official CDR notifications. It specifies information on each loan included in the school’s CDR. Schools have the opportunity to respond to the loan information that was used to calculate their CDR.

According to FSA, the purpose of releasing draft CDRs is to allow schools the opportunity to review their data for accuracy and notify the data manager if there is any erroneous data on the LRDR. Draft rates form the basis of a school’s official rate. If a school fails to challenge the accuracy of its draft rate, they may not contest the accuracy of the official CDR data.

Review actions schools should take, and when:

- **During the draft cycle**, schools should **compare the LRDR with their own student separation** (graduates, withdraws, or drops below half-time enrollment) dates and loan details from their school’s records, lenders, and data managers. If errors are found, schools can submit an Incorrect Data Challenge (IDC) via the eCDR Appeals electronic application system. (Note: if a school has a relatively low percentage of borrowers, it may be eligible to submit a Participation Rate Index Challenge during the draft cycle.) More information can be found on FSA’s [eCDR Appeals System website](#).

- **At the time official CDRs are released**, schools will receive a new LRDR that should be compared to the draft version and the loan information details from their school’s records, lenders, and data managers. Schools should also compare the LRDR with the Data Manager’s IDC response to ensure that all agreed-upon changes are reflected in the official cohort default rate data.

- **During the official cycle**, schools can request a **New Data Adjustment** or an **Uncorrected Data Adjustment (UDA)** based on their LRDR review. And, they can appeal the rate based on loan servicing errors they’re able to identify from lender and data manager records. If a school is subject to sanctions because of its cohort default rate, it may be eligible to file other appeals.
How can schools submit a challenge, adjustment, or appeal?

Challenges, adjustments, and appeals are actions schools can use if they believe its CDR is calculated incorrectly or specific mitigating circumstances are needed to excuse it from being subject to sanction. ED mandates that all IDCs, UDAs, Loan Servicing Appeals (LSA), and New Data Adjustment (NDA) be submitted via eCDR Appeals System website.

- **Challenges** can only be submitted during the *draft cycle for draft rates*. There are two challenges available: An Incorrect Data Challenge (IDC) and a Participation Rate Index Challenge (PRI).

- **Adjustments** and appeals can only be submitted during the *official cycle* and are based solely on *official rates*.
  - There are two adjustments—the Uncorrected Data Adjustment (UDA) and a New Data Adjustment (NDA).
  - There are six appeals available—a Loan Servicing Appeal (LSA), an Erroneous Data Appeal, a Participation Rate Index Appeal, an Economically Disadvantaged Appeal an Average Rates Appeal, and a Thirty-or-Fewer Borrowers Appeal.

For more details on adjustments and the eCDR Appeals application, please refer to FSA’s eCDR Appeals System website.

Is there a CDR schools should target achieving?

As mentioned in the introduction, the lower the CDR the lower the number of defaults affecting borrowers, taxpayers, and schools. So the lower the CDR the better!

That being said, schools with rates of 30% or greater may have sanctions that include the loss of eligibility to participate in the Direct Loan and or Pell programs and can limit a school to provisional certification.

A school would then be required to develop a default prevention task force and prepare a plan to:

- Identify factors causing the default problem, including some of the common factors listed below.
- Establish measurable objectives and evaluate the steps being taken to reduce the number of students defaulting.
- Outline the school’s plans to remedy the repayment problem and include student repayment counseling.

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**The Vulnerable Face of Default**

<table>
<thead>
<tr>
<th>Attended a for-profit college</th>
<th>First generation student</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pell Grant recipient</td>
<td>Relatively small loan amount</td>
</tr>
<tr>
<td>Dropped out</td>
<td>African American</td>
</tr>
<tr>
<td>Family annual income &lt; $40,000</td>
<td>Approximate age range late 20s to early 30s</td>
</tr>
</tbody>
</table>

Source: Brookings Study, TICAS and Bigthink
What are the sanctions associated with high CDRs?

FSA’s [2.4 Cohort Default Rate Effects](#) defines sanctions as follows:

<table>
<thead>
<tr>
<th>School</th>
<th>Sanctions (34 CFR 668.206)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A school’s three most recent official cohort default rates are 30% or greater for the three-year calculation.</td>
<td>Except in the event of a successful adjustment or appeal, such a school will lose Direct Loan and Pell Grant program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.</td>
</tr>
<tr>
<td>A school’s current official cohort default rate is 40% for the three-year CDR calculation.</td>
<td>Except in the event of a successful adjustment or appeal, such a school will lose Direct Loan program eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.</td>
</tr>
</tbody>
</table>

What are the benefits associated with low CDRs?

FSA’s [2.4 Cohort Default Rate Effects](#) defines benefits as follows:

<table>
<thead>
<tr>
<th>Eligible School</th>
<th>Benefits</th>
</tr>
</thead>
</table>
| A school whose most recent official cohort default rate is less than 5.0 percent and is an eligible home institution that is originating loans to cover the cost of attendance in a study abroad program. | May disburse loan proceeds in a single installment to a student studying abroad regardless of the length of the student’s loan period.  
May choose not to delay the disbursement of the first installment of loan proceeds for first-year first-time borrowers studying abroad. |
| A school with a cohort default rate of less than 15.0 percent for each of the three most recent fiscal years for which data are available, including eligible home institutions and foreign institutions. | May disburse, in a single installment, loans that are made for one semester, one trimester, one quarter, or a four-month period.  
May choose not to delay the first disbursement of a loan for 30 days for first-time, first-year undergraduate borrowers. |

Where are rates made available to the public?

The public can find official CDRs on website such as [College Navigator](#), [College Scorecard](#), or a school’s website.