Michelle: Okay, hello. How is everybody doing? Good, okay. I just wanted to open up today with a little quote by Will Rogers, and it says if you want to be successful, it's just this simple. Know what you're doing, love what you're doing, and believe in what you're doing. And I wanted to start off with that because when we talk about cohort default rates, a lot of time we think about numbers, and, "Oh, we're trying to get our numbers down." But those numbers are people, and people who aren't doing so well.

So I just always like to open up with that as a reminder of why cohort default rates are so important on the school end, but also on a people end. We want all our students to do well. So I want to open up with a little bit of background on cohort default rates. If you're familiar with two-year cohort default rates, three-year cohort default rates are basically just the same except we're extending out the numerator.

So just like two-year cohort default rates, we have – can you all hear me good?

Audience: No.

Michelle: Is that better? Can you hear me in the back? Okay. Sorry, just let me know if you can't hear me again. So the three-year cohort default rates are separated just like two-year cohort default rates. So you have what's called average rate schools and non-average rate schools. A non-average rate school is what most of you are. It's when you have more than 30 borrowers who are going to enter in repayment for a cohort year. An average rate school is when you're a school with fewer than 30 borrowers entering into repayment.

So again, for a non-average rate school, it's just a percentage of schools that enter into repayment and then default during that cohort period. An average rate school is just taking an average of three years of information and then calculating the cohort default rate off of those three years of information. So that's basically what a three-year cohort default rate is. It hasn't changed that much except for we're extending out the numerator. All right, so this year, you got two-year – two different cohort default rates.

You got a two-year cohort default rate and a three-year cohort default rate. We got a lot of questions asking, "What's going to happen to my two-year cohort default rates? Are we going to continue to get two-year cohort default rates?" Two-year cohort default rates are being transitioned out, so next year in 2013, September 2013, that will be your last year in which you will receive a two-year cohort default rate. So after that, they're out of here.

Now I have this nifty little table right here, and I would actually recommend going online to our presentation and printing this out and just keeping it at your cubicle. So whenever you have a question, somebody asks you a question in your office, okay, well when will we be held subject to sanction for these rates? When is all this stuff gonna come into play? This has good dates on it. So again, for the first two rows, we're kind of in this time period now where you've received your first three-year cohort default rate for 2009, and you've received your traditional two-year cohort default rate for 2010.

Of course, this year you're not subject to sanction. Hallelujah. That's a good thing. One thing you might have noticed when you received your three-year cohort default rates is that it has jumped significantly, and that's why it's so important that you pay attention to your next year's cohort default rate because next year in September of 2013, we're going to be releasing your FY 2011 three-year cohort rate. Does anybody know what that will become? No? It will become your three-year cohort default rate.

The first one, which will be held – subject to sanction for. So that's very important, so you can kind of see that there, I put it in red for you so that in September 2014, that's the first year where you'll be subject to sanction. Okay, so how are they calculated? The first one that we have is we're going to go over the non-average rate calculation. Again, that's just like the traditional two-year non-average rate calculation.

It's the number of school – the borrowers that enter repayment over the borrowers that enter or that default. So the only difference is for the numerator, which is the students who are defaulting. We're extending it out another year. So you essentially have three years to default if you're a student for that fiscal year. And our fiscal years run from October 1st to September 30th, so they're not like a traditional year from January to December.

The next one is your average rate formula for cohort default rates. And again, I would encourage you to pull down our presentation and print out the sheets that you think might be helpful throughout the year, but for the average rate, it's the same thing, except for again, we're taking the numerator and a denominator, but we're averaging three years of that to produce your cohort default rate for that year.

Okay? All right, sanctions and benefits. All right, so the first one that we're going to talk about is your benefits. Your benefit, the benefit threshold changed from 10 percent to 15 percent, and that changed last year, so that's good news. And so if we go to the next little sheet, we have a table that explains is a little bit more. So it stays the same at five percent for disbursement, and the second row you can see that a school with a quarter default rate of less than 15 percent for three years, that disbursement level has changed from ten percent.

All right. And the next one is for sanctions. The sanction level has changed for three-year cohort default rates. So in 2014 when your school receives its first cohort default rate for the FY 11 cohort period, you can be subject to sanction for one year over 40 or three years over 30 percent. Until 2013, you're not subject to sanctions. So if you have a high rate, don't worry. You're not subject to sanctions. But you do have to develop a default prevention task force and management plans, which Cindy went over in the session before. So if you have any questions about that, you should check out their session again.

And we go to the next slide, and that's just a table on there that explains a little bit more about what we just said, how the threshold has changed for three years over 30 from 25 and one year over 40. Okay, so we talked about how to calculate your rates. We talked about what are three-year cohort default rates, and now we're going to talk about how to manage your cohort default rates. I'm sure you guys are aware that NSLDS is the best tool out there for getting information about the status of your students.

And these are some of the reports out there that you want to take a look at. When you're managing your cohort default rates, if you can get your students before they default on their loans, that's your best option. So the NSLDS is where you want to go to pull down the delinquency reports. You want to go into NSLDS and pull down repayment reports to see what students are exactly entering into repayment, if they're late because a student will more – they will answer the phone for you more than they will from an 800 number from a collector.

And most students who are defaulting now are defaulting because they don't know they have options. I mean they have options. There's no reason for anybody to default now, and what we're seeing across the board is it’s not just our students who may have withdrawn from school who are having issues. More traditional schools, the cohort default rates have risen across all sectors. So this is something that’s important for all schools to keep a look at. So you have all these different type of reports that you have at your disposal, and I just want to say that if you have a chance, please go to Session 33. That’s the NSLDS session, and they will go into more detail about all of this stuff.

And it’s a lot of good information for you. On the next screen is a little table, again, that you can print out, and it has a description of all the reports. So what is the DRC of 16? Well, we describe it in the table the date enter repayment report. All those reports are something that will be useful to your school at managing your cohort default rate. The next thing I wanted to tell you about is the cohort default rate guide.

We actually have a guide on our website, and it’s broken down by chapters so you don’t have to print out the whole thing, and it’s just like a book about cohort default rates that walks you through every single thing you would ever want to know about them. Everything that we talked about, how to calculate them, how to manage them, strategies, all of that is in the cohort default rate guide, and it’s been updated to include three-year information.

And here is this little table to show you how it’s broken down. So you have in Chapter 2.1, the department – how to calculate a loan like I just said, and then the effects. So if I merge, what effects are those? What does a change of status do? How do I get – pull down my alerter? How do I use NSLDS? So all of that is in our cohort default rate guide, and one of the most important things that’s in our guide is how to submit challenges, adjustments, and appeals, and those are your best friend. That’s your best friend when it comes to managing cohort default rates because a lot of times when you get your rate, there’s information in there that may or may not be accurate.

So it’s your job to go in and check it, and if you’ve been looking at your students all along through those NSLDS reports, you’ll know right away, okay, well she’s not supposed to be in here. She’s still in school. You know, or this person, they graduated, but that was like ten years ago. So that’s very important, again, to pull it to reducing your cohort default rate. So now Donna is going to take over, and she’s going to talk about challenges, adjustments, and appeals. Thank you.

Donna Bellflower: Thanks, Michelle. I'm Donna Bellflower, and I work in the operations performance division with Michelle and Fran, and I've been there for over 20 years now, and mostly I've worked in this area with challenges, adjustments, and appeals. So I'm going to give you a little bit of information on the different types of challenges and adjustments and appeals that are out there. A lot of you may not have paid as much attention to this in the past with your two year rates if they were pretty low, but with the transition to the three year rates, the rates are going up.

So it may be something that you want to start really paying attention to is what's available for you. This chart that we're showing now shows all the different challenges, adjustment, and appeal types. The ones that are in blue, those are the challenges, and those are submitted after we release the draft rates. As you all know, we release the rates in the draft form in February, generally, of that year. And the whole reason that we release draft rates is to give you a chance to review the borrowers that make up your rate by reviewing the loan record detail report, which lists all the borrowers that are in your rate and tells how they're counted in the numerator and the denominator, or just the denominator.

So it gives you a chance to review that data and to challenge any data that you feel is incorrect with the holder of your loan. We call those the data managers. That's for FFELs – that would be the guarantee agency, and for direct loans and for FFEL loans, put to the department, that would be the servicer who is holding the loan. So this first challenge type that I want to talk about is the incorrect data challenge. And incorrect data challenges, again, are submitted after the release of the draft rates. Schools would look through their loan record detail reports to see if the borrowers that are included that make up their rate are correctly counted in the calculation.

And if they find any borrowers that are not correctly counted, they would challenge them as part of the incorrect data challenge. Some examples of incorrect data would be a borrower who is in the draft rate incorrectly because your records, the school's records show that the data in a repayment would place the borrower in a different year, or a borrower who is not included in the rate, and per year records, they integrate payment and should be included. Or if a borrower is counted as a defaulted borrower, meaning they're in the numerator of the calculation, and you feel that they don't belong in the numerator.

Now it's important, I want to point out that for cohort default rate purposes, once a borrower defaults on a loan within the cohort period and it is a legitimate default, they will remain counted in default for co-default rate purposes, even if they subsequently consolidated the loan out of default by consolidating their loans into a new loan, or if they just pay the loan in full after they defaulted.

For cohort default rate purposes, because they did default within the cohort period, they will remain in the numerator of the school's cohort default rate calculation. The only exceptions to this that the cohort default rate regulations allow are if the borrower rehabilitated the loan within the cohort period. That was hard to do in the two-year calculation because they would have to have first of all entered repayment in that year to be included, then defaulted in that two-year period, and then they would have had to have made nine regular payments within a ten-year period to successfully be rehabilitated, and all of that would have had to have been done within the two-year period for the two-year calculation.

But now that we're moving to a three-year rate, it's a little bit easier, and we anticipate we'll see more borrowers who have rehabilitated their loans within the cohort period, and if they did rehabilitate the loan prior to the end of the cohort period, then the loan would come out of the numerator. The other exception that the cohort default rate regulations allow for removing a borrower from the numerator is for FFEL loans that are held by the guarantee agency. As you know, FFEL loans default on the date that the claim is paid.

So if the lender submitted a claim to a guarantee agency, and the guarantee agency paid the claim, but then the lender immediately requested to repurchase that loan because they made an error in their claim submission, then that would be a repurchased loan, and those loans are eligible to come out of the numerator. So those are the only two exceptions for removing a borrower from the numerator that are allowed under the cohort default rate regulations.

We do have, I wanted to mention, a special circumstances chart in the cohort default rate guide in Chapter 2. It starts on Page 2.1/12 of the cohort default rate guide, and this chart lists a number of different special circumstances and how those circumstances would affect your cohort default rate. So if you are challenging incorrect data, I would recommend that you review that special circumstances chart that begins again on Page 2.1/12 of the cohort default rate guide.

Incorrect data challenges are submitted via the ECDR appeals system. That's a system that we developed for submitting and working through different types of challenges and adjustments, and schools have 45 days to submit their incorrect data challenge forty-five days from the release of the raise. And you can find complete information on the incorrect data challenge process in Chapter 4.1 of the cohort default rate guide.

And the next challenge type that I want to talk about is the participation rate index challenge. Now this challenge has nothing to do with the school's rate. It won't lower a school's cohort default rate, but it will if a school is potentially subject to sanction, when their official rate comes out, if the school believes that they will be subject to loss of loan eligibility or provisional certification because their rates meet the threshold, then they can submit a participation rate index challenge during the draft process, and if it is successful, then that will alleviate the sanctions so that when the official rate comes out, the school will not be subject to sanction.

And the way that a participation rate index challenge works is basically, the school is saying, "Yes, I have a high cohort default rate, but I have a low number of students who actually use the loan program." The calculation – the formula for the PRI index is in the cohort default rate guide in Chapter 4.2. I'll just briefly mention it here. You would take the total number of borrowers that you had within a 12-month period, and the 12-month period has to end within six months of the beginning of the cohort period.

And you would divide the total number of those borrowers that were in the 12-month period by the total number of the regular students that you had enrolled in that same 12-month period. You would take that, and then times it by your cohort default rate, and that's your participate rate index. There are certain thresholds that you have to meet to be successful, and you can find those thresholds in Chapter 4.2 of the cohort default rate guide, but you would submit it directly to the department, and this is a hard copy process.

It's not an ECDR appeal, so you would have to follow the guidelines in Chapter 4.2 of the guide to submit it to the department. We would review it, and then if we agree that you meet the threshold, then we'll say, "Yes, you won," and you won't be subject to sanction when the official rate comes out.

And now I'm going to talk about the adjustments that are available. There are two different types of adjustments, and these are submitted after the release of the official cohort default rates. The first one I want to talk about is the uncorrected data adjustment. And this one is for schools that submitted an incorrect data challenge during the draft process, the data manager agreed that the data was incorrect, and that they were going to go into NSLDS and correct that data, but for whatever reason, the corrected information is not appearing in your official cohort default rate, so you still had those same borrowers being counted incorrectly in your official rate.

So if that happens, you would submit an uncorrected data adjustment, and you use ECDR appeals to submit it. It comes directly to the department, and we'll review it, and we'll compare what the data manager said at the draft and compare the draft and the official usage and make sure that the change was not made, and then we will manually make the change to your rate. We'll recalculate the rate based on the new numerator and the denominator, and then we'll let you know what your recalculated rate is. Schools have 30 days to submit uncorrected data adjustments after the release of the official rates.

And the other adjustment type that schools can submit in the official process is the new data adjustment. And a new data adjustment is submitted if schools find incorrect new data in their official rate, and what I mean by incorrect new data is something has changed with that borrower between the draft and the official. Some examples would be if a borrower was in your draft rate and they're not in your official rate, or vice versa.

If they were not in your draft rate and now they're showing up in your official ate or if the usage code has changed from being in the denominator only in the draft and then the official rate, they are counted in the numerator, and you feel that this new data is incorrect, you have an opportunity to challenge it with the data manager by submitting a new data adjustment.

There are timelines for submitting this. It first goes to the data manager, and you have 15 days to submit your allegations to the data manager, and you do this via the ECDR appeals application. And when the data manager responds after they've reviewed it, if they agree with you that the data is incorrect, they will respond and let you know that they agree, and they'll update the information in NSLDS, but they cannot change the rates. So in order to get your rate changed, you would submit the allegations to the department. Once the data manager has responded, you would submit the completed new data adjustment to the department as we are the only ones that can actually make the changes to your numerator or denominator and recalculate your rate.

And you have 30 days after all the data managers have responded to submit your new data adjustment to the department. We'll review it, and we'll recalculate your rate and let you know what your new recalculated rate is. So those are the two adjustment types. And now I want to talk a little bit about the appeal types that are available to schools, and the first one that I want to talk about is the erroneous data appeal.

Erroneous data appeals are only available to schools who are going to be subject to loss of eligibility or provisional certification based on high cohort default rates. And as part of an erroneous data appeal, a school can bring up any challenge that they brought up in the incorrect data challenge that the data manager disagreed with. This is the only opportunity a school gets to appeal a data manager's decision. So if you have some incorrect data challenges that were disagreed upon and you still feel that that data is incorrect, you can bring that up as part of the erroneous data appeal.

Additionally, if you have new data that was included in your official rate that you feel is incorrect, you can bring that up as part of an erroneous data appeal, and it will first go to the data manager who holds the loan, and if they disagree, because this is an erroneous data appeal, you can bring it up the departments. So you can appeal the data managers' decision on incorrect new data as well as the draft data.

Schools do need to submit their allegations first to the data manager, and you have 15 days to submit those allegations. Once all the data managers have responded, you have 30 days to submit your completed erroneous data appeal to the department. Erroneous data appeals have not yet been added to the ECDR appeals application. So as of this time, it is still a hard copy process. We are planning to add it to ECDR appeals by 2014. So at this time, it's still a hard copy process, and if you are submitting it, you'd have to submit screenshots that you took from the ECDR appeals and submit that to the department.

And we will review it, and if we recalculate your rate and it falls below the threshold, then you'll no longer be subject to sanction or provisional certification. The next appeal type I want to talk about is loan servicing appeals. Any school can submit a loan servicing appeal. You do not have to be subject to sanction to submit it. And a school would submit a loan servicing appeal if they feel that borrowers are included, defaulted borrowers are in their cohort default rate, and they feel that there's a chance that they were improperly serviced for cohort default rate purposes.

Then they would submit a loan servicing appeal. I'm going to talk a bit in the next slide about what improperly serviced for cohort default rate purposes is, but the school would first in order to start the process, they would have to request their loan servicing records from the data managers who hold the defaulted loans. So they would request those servicing records, and the data manager would respond by providing all the loan servicing records for all the defaulted loans that they hold for that school. The only exception is if they hold more than 100 defaulted borrowers, then they would give you a representative sample, and you would review the representative sample.

And so you would request their servicing records from the data managers within 15 days of the release of the rates. They would respond and provide the records, and then you have 30 days from the final records that you received from the final data manager to submit your loan servicing appeal to the department, and you would review those records, and any borrower that you feel meets the criteria for being improperly serviced for cohort default rate purposes, you would submit it to the department, and we would review it, and if we agree that the borrower was improperly serviced for cohort default rate purposes, we would remove that borrower from the numerator and the denominator of your rate and recalculate the rate.

Now this chart shows when a defaulted FFEL loan would be considered improperly serviced for cohort default rate purposes. And these are the only criteria that can be used for a loan servicing appeal. So if a defaulted FFEL – a defaulted FFEL would be considered improperly serviced for cohort default rate purposes if one or more of the following occurs.

If the borrower never made a loan payment. Now if the borrower made a loan payment, it's considered properly serviced for cohort default rate purposes because the fact that they made a loan payment proves that the borrower was aware that this is a loan that they have to pay back, and that the loan did enter repayment. So if they made a loan payment, it's automatically properly serviced.

But if the borrower never made a loan payment and the school can document that the lender was required but failed to send at least one letter other than the final demand letter, or the borrower never made a payment and the school can document the lender was required but failed to attempt at least one phone call, or the borrower never made a loan payment and the school can document the lender was required but failed to submit the request for pre-claims assistance to the guarantee agency, or if the borrower never made the loan payment and the school can document the lender was required but failed to send the final demand letter.

And the last one on the chart shows the borrower never made a loan payment, and the school can document that the lender was required but failed to submit a certification to the GA demonstrating that the lender performed skip tracing. That's on there because obviously, if the lender received returned mail showing that they have a bad address, they can't send those letters out, but so if they couldn't send the letters out because they had a bad address, they're required to do skip tracing. If you see evidence of skip tracing in the servicing record, then the borrower is considered properly serviced.

So these are very strict, very strict guidelines for loan servicing appeal. And that was what – when a defaulted FFEL is considered properly serviced, and this next slide shows when a defaulted direct loan or a FFEL loan that was put to the department is considered improperly serviced, and it's exactly the same except for the one element you won't see is the request for pre-claims assistance, and that's because there is – that's the request from the lender to the GA for pre-claims assistance, and since there's no longer a lender or GA relationship with direct loans or FFEL loans that are put to the department, that requirement goes away.

These are the only criteria that would result in a loan being removed. It's very hard to win on these because, you know, you only have to have one letter, one phone call, and a final demand letter in pre-claims assistance. We've seen some allegations that have been submitted in loan servicing appeals where the school was saying the borrower didn't – the lender didn't submit enough letters, or they didn't do enough phone calls.

But that doesn't matter. That's not – that doesn't matter for improperly serviced for cohort default rate purposes. Yes, they do have a certain number they're required to do, but for these purposes, we only need to see that they sent one letter, one phone call, one final demand letter. Also, we've seen allegations of a lender entering a borrower into repayment too early, and schools want to include that as part of an improper servicing appeal.

But that does not meet the definition for improperly serviced for cohort default rate purposes, and that would more – that would be better to be submitted under an incorrect data challenge because if they enter the borrower into repayment too early, it's probably because they didn't use the most recently reported last date of attendance, and that would be incorrect data, not improper loan servicing for cohort default rate purposes.

The loan servicing appeal, as of now, is still a hard copy process, but we do plan on adding it to ECDR appeals next year in 2013. And that should make the process a little bit easier. Because it is a very labor intensive process, loan servicing. It's labor intensive for the school, for the data managers, and for the department.

Okay, and the next appeal type that I want to talk about is the economically disadvantaged appeal. This appeal will not affect your school's rate. It only affects the sanction status. So it's only available to a school who is subject to loss of eligibility, or in the three-year calculation if they've received notice of a second successive official rate that potentially subjects the school to provisional certification.

Economically disadvantaged appeals do require that the school submit management's written assertion within 30 days of the release of the rates, and what that is is that's just the spreadsheet that proves that the borrower – that the school's low-income and placement or completion rate meets the threshold, and then within 60 days, they need to submit the independent auditors out of station, which attests to what the management's written assertion says.

In order to win on an economically disadvantaged appeal, if you are a degree granting school, you have to prove that you have a low income rate of two-thirds or more, and a completion rate of 70 percent or more. If you are a non-degree granting school, you must prove you have a low-income rate of two-thirds or more and a placement rate of 44 percent or more. So you would submit that to the department. We would review it, and if we agree that you meet the threshold, then you would win, and your school would no longer be subject to loss of eligibility or provisional certification.

The next appeal type is the participation rate index appeal. And this appeal type is only available to schools who are subject to loss of eligibility or provisional certification based on their official rates. It's the exact same as the participation rate index challenge.

The threshold is the same. The formula is the same. The only difference is that if you didn't submit a participation rate index challenge and you find your school is subject to loss when the official rates come out, we give you a chance to submit your participation rate index appeal. We call it an appeal now because you're actually subject to loss. Otherwise, it's completely the same.

And it's explained in Chapter 4.8 of the cohort default rate guide. Now those are all the types of appeals that a school can submit. There's just two other types of appeals I wanted to mention, but a school doesn't need to submit these. The department makes the determination that the school is eligible prior to the release of the rates, and the first one is the average rate appeal. For a school would be subject to loss of eligibility because they have three years of rates that are over 25 percent for the two-year calculation or 30 percent for the three year calculation, if two of those rates were calculated as average rates –

And as Michelle said, we calculate average rates if you have less than 30 borrowers entering repayment. So if two – at least two of those rates are average rates, we would look at the actual numbers, and we would calculate based on the actual numbers, and if the rate falls below the threshold based on the actual numbers, we would use those numbers, and your school would not be subject to loss.

Now if your school is subject to loss – would be subject to loss because your most recent rate is above 40 percent, if that rate is an average rate, you won't be subject to loss. And again, schools don't need to do anything. We make that determination before we release the rates. And so when you get your notification letter, it will tell you yes, you're – you had rates that met the sanction, but sanction threshold, but because you met this criteria, you're not subject to loss.

And the other appeal type is the 30 or fewer borrower appeal. And it's almost self-explanatory. This is only for schools that would be subject to sanction because they have three years of rates that meet the threshold, but if you look at the combined total of all three of those years, if you combine the denominator, the number of borrowers in a repayment for all three years, and it's less than 30, then they will not be subject to loss of eligibility.

Again, the department makes that determination before we release the official rates, and so you'll get a notification letter saying you're not subject to sanction because you met the criteria for the 30 or fewer borrowers appeal. And those are all the different types of cohort default rate challenges, adjustments, and appeals. Starting this year in 2012, as you all know, we released two sets of rates, the two-year rate and a three-year rate, and schools were able to submit challenges, adjustments, or appeals on both the two-year and the three-year rates.

And we know a lot of schools know that because we got about double the amount of challenges, adjustments, and appeals this year. Also wanted to mention that you use ECDR appeals to submit incorrect data challenges on corrected data adjustments, new data adjustments, and next year, learn servicing appeals. All other appeal types at this time are still hardcopy. If that ever changes, we'll let you know via IFAP.

The ECDR appeals system is a self-registration system. Your DPA has to register first because they're going to be responsible for approving any user request from the school. If you have any questions at all on ECDR appeals, if you want to know if you're registered, you can come and see us in the resource room. We do have a booth there.

Sorry. I don't know the number. What's the number? Bay Hill 33. Okay, and this is our contact information. If you have any questions after the conference, you can give us a call, e-mail, our website, and the ECDR appeals website is here. So that concludes our session. We're able to take any questions at this time.

Michelle: If you have questions, just line up at the two microphones right there.

Audience: After our last state conference, I went back and basically read what you had just mentioned, Donna, about an institutional appeal based on disadvantaged – economically disadvantaged. As you said, a school needed to show that they had at least two-thirds of their students were economically disadvantaged and – and the thing I didn't understand, I guess part of the question is that they had to have a completion rate of 70 percent. So you know, you take a school, the 25 percent of them are freshmen, sophomores, juniors, and seniors, 25 percent are usually if they have a graduation rate of

25 or 30 percent, obviously it's not gonna – is the graduation rate the same as the completion rate of 70 percent?

I guess my question is is there anybody in the country that has a completion rate as high as 70 percent?

Donna Bellflower: Truthfully, we have only had – I said I think I said I worked in this area for 20 years, and in this last 20 years, we've only had one degree granting school that submitted an economically disadvantaged appeal because most of our schools subject to sanction are non-degree granting schools. And they actually did win on it, but that's the only one that we've had. It hasn't been used a lot, the economically disadvantaged in completion, because we haven't had a lot of schools subject to sanction. But yeah, those are the regulatory thresholds that you have to meet.

Audience: Thank you. That was the same conclusion I drew after reading that. I thought to myself, "Who in the world would ever really qualify for this?" So it's really not in the – for all practical purposes, it's almost really not an appeal. I mean technically, it's an appeal.

Donna Bellflower: Well, if you're a degree granting school and you've got rates that make you subject to sanction and you feel you can win on the low income and completion rate, it is an appeal because it will absolve that sanction status.

Audience: But if it includes the completion rate, how could you win?

Donna Bellflower: Yeah, it does include the completion rate.

Audience: But having said that, just generally speaking, dealing with the appeals, can you run us through a little bit what happens now? Our school, it's not right now, but let's just say our default rate was over 40 percent for that first year. Realistically, what is the steps that a school goes through before it loses its eligibility? And also, in the 20 years that you've been there, have you noticed – each year, do you know approximately how many schools do lose eligibility?

Donna Bellflower: In the past few years, we haven't – we've had one school, I think, that lost eligibility within the past few years. We are anticipating with a three-year rate that we're going to have a lot more that are going to be subject. I'm sorry. What was your question again? As I was talking, I realized I forgot your question.

Audience: You say that after the first year, we have a rate of over 40 percent. We submit our default prevention plan, but say that after that first year it's still above 40. The plan didn't really work. Basically, how many years would it before the school would lose eligibility I guess is what I'm asking.

Donna Bellflower: You will lose eligibility – when we release the rates, you have a certain period of time to appeal. And if you don't appeal, then you lose eligibility. I think it's 30 days after we release the rates. If you do appeal and you win, then you don't lose eligibility, but if you lose, then you will lose eligibility as of the date that that you receive the final decision on your final appeal. You have different types of appeals you can submit.

Audience: But assuming that all the data is correct, then you really don't have a basis of appeal then. Right?

Donna Bellflower: That – yeah, if you can meet those thresholds, the 70 percent completion and the two-thirds or more low income, there is no further appeal.

Audience: Thank you.

Michelle: I just wanted to add to what you were saying. That's why in the past few years, we've only had like one school that actually lost eligibility, but on our website, we have what's called 300 reports where you can download schools. We have all of our information about the cohort default rates that were released in September, and maybe for the two year, we had like three or four schools that were subject to sanction, and then we had a list on our three-year down low page of schools that would have been subject to sanction. Of course, they're not, and we're at like 200, and that's this year. I mean again, cohort default rates work backwards, so you can imagine with cohort default rates going up what that will be like in 2014.

So your point is true. So if you are not going to meet that criteria for appealing your cohort default rates, once your rate is released, then your options might be limited. That's why it's so important now to start doing your incorrect data challenges to look at the reports we've mentioned on NSLDS. You want to make sure all your information is accurate. You want that report that shows when your students are late. You want to be calling them. You don't want to be in a position in 2014 when your rate was maybe like 20 percent now, but now it's like 45, and you're out of options. So that's why all of those things we talked about, the challenges that Donna said, looking at NSLDS, all those reports will really, really help you out.

Audience: Thank you.

Michelle: You're welcome.

Donna Bellflower: Hi.

Audience: Hi. First of all, I appreciate this training. I'm new to the appeal process, and most of our errors were our students had the last date of – their first day of attendance as their last date of attendance, and when we had about half the data managers agree and change it with our documents, and then some did not, and I even questioned somewhat other documentation do you need, and they said, "We don't have to accept it." So I'm just challenged to understand why they wouldn't want to put a student in the right cohort in the first place. Is that too simple of a question?

Donna Bellflower: They set the date on repayment based on the LDA is reported by the school, and you're saying you reported – you timely reported the last date of attendance, and they did not use that in setting the LDA?

Audience: Right. They had the first date of attendance as their last date of attendance. So when we –

Donna Bellflower: Is that something – did the school report incorrectly, or did –

Audience: Most of them were fixed by the time, you know – it must have been from us originally on SSER report, but we had fixed the data, and I had proof of it. So again, I'm new to this, so I was just – I asked some other colleagues, and they said, "Because they can." So that's the answer I got. I was wondering if it was, you know…

Donna Bellflower: Yeah, you might want to come and see us and talk individually.

Audience: Okay.

Donna Bellflower: But one thing I do know is that they do use the best information available at the time. And you said the school had incorrectly reported it first, and then you corrected it, but there are – you have to submit changes in a borrower's status, I think, generally within about 60 days from the change in status, and if you didn't make that time – if it wasn't timely reported, the data manager does not have to agree to change the data. That is one thing I do know, and that might be the situation here. But if you want to come and talk to us individually –

Audience: Okay. Thank you for your help.

Audience: Hi, I have two questions regarding your slide with the school with a cohort default rate of less than 15 percent for the three most recent fiscal years. They may disburse in a single installment for a one semester loan. What if the school was under the two-year cohort default rate, was eligible to disburse in one disbursement because they met that criteria previously, and then when the new three year are out now, they're over the 15 percent.

At what point are they required to go ahead and disburse the one-semester loan in two disbursements? And then the second question is do you see that 15 percent rate possibly going up because all the schools are increasing, and their number is getting – the average is getting close to that 15 percent?

Michelle: Yeah, we're not using the three-year information. So if you're two-year, right now, we're still in that transition phase that I talked about earlier. So if your two-year cohort default rate is below 15 percent, then you're good.

Donna Bellflower: Until 2014.

Michelle: Until 2014. So for the next year, basically. And the next year in 2014, if your three-year rate is over 15 percent, you know, then that's when you would start to lose that perk.

Audience: So is it if it's over 15 percent for one year, then you are required to go into two disbursements if it's one year over 15 percent?

Michelle: Yes. In 2014.

Donna Bellflower: And all three years have to be –

Michelle: Yeah because all three years, and you would have had three years, so…

Audience: But right now, if it's over 15 percent, you're saying since this is not – you don't think –

Michelle: Right now, what you're doing right now, we're in a transition period. So you're receiving two years of rates, and your three year rates are official, but we're not looking at them for sanctions or benefit – we're still looking at your two-year cohort default rates with the exception that if you are a school with a cohort default rate over 30 percent, then we are wanting you to put certain steps into place just to make sure that you're okay in 2014. So does that answer your – the first –

Audience: Yes, and then –

Michelle: I know you had two questions.

Audience: Yeah, any discussion of increasing that because of the rates are higher for most schools?

Michelle: Yeah, that's – write your congressman. You know, that's legislation, so –

Audience: Thank you.

Michelle: Thank you. No more questions? Thank you for coming. Enjoy Florida weather.

[End of Audio]