

Are there any sanctions associated with high official cohort default rates?

Yes, sanctions apply when a school's *official* cohort default rate is at or above certain percentages.

Sanctions for schools with high official cohort default rates

School	Sanctions
A school's three most recent <i>official</i> cohort default rates are 25.0 percent or greater for the two year calculation, or 30.0 percent or greater for both the three year calculation.	Except in the event of a successful adjustment or appeal, such a school will lose Direct Loan and Federal 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.
A school's current <i>official</i> cohort default rate is greater than 40.0 percent, for both the two year and three year CDR calculation.	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.
<p><i>NOTE: A school is not subject to the loss of Federal Pell Grant Program eligibility if, prior to October 7, 1998, the school requested in writing to withdraw from or lost its eligibility to participate in the FFEL and/or Direct Loan programs and has not subsequently participated in those programs. In addition, a school is not subject to the loss of Federal Pell Grant Program eligibility if it did not certify any FFELs and/or originate any Direct Loans on or after July 7, 1998. A school that resumes participation in the FFEL or Direct Loan programs is no longer eligible for either of these Federal Pell Grant Program exemptions.</i></p>	

***No school sanctions will be applied based on the three year cohort default rate calculation until there have been three consecutive years of such rates calculated. This means that sanctions based on the three year cohort default rate calculation will begin in 2014, with the release of the FY 2011 cohort default rate.**

Can a school avoid the sanctions associated with high official cohort default rates?

If a school is notified that it is subject to sanction, the school may submit an adjustment or appeal to attempt to avoid that sanction. Adjustments and appeals are available to schools after the release of the *official* cohort default rates. Challenges are available to schools after the release of the *draft* cohort default rates, and may also result in avoidance of a sanction.

The following chart summarizes the actions a school may take. Schools not subject to loss of eligibility and schools subject to provisional certification based on cohort default rates may only take a limited number of these actions. See Chapter 3.1, “Reviewing Rates and Loan Data,” for an overview of the actions schools may take. For more information, including detailed explanations of each action and the timeframes for taking an action, see Part IV of this Guide, “Challenges, Adjustments, and Appeals.”

School actions in response to cohort default rates

Draft/ Official	Type of Action	Purpose
<i>Draft</i>	Incorrect Data Challenge	Correct data before the <i>official</i> cohort default rates are released.
<i>Draft</i>	Participation Rate Index Challenge	Demonstrate a low borrower participation rate to avoid an anticipated sanction with the <i>official</i> cohort default rate.
<i>Official</i>	Uncorrected Data Adjustment	Contest a data error that was agreed upon in the <i>draft</i> process but is still reflected in the <i>official</i> cohort default rate data.
<i>Official</i>	New Data Adjustment	For a school that is not subject to sanction, contest <i>official</i> cohort default rate data that was not included in <i>draft</i> cohort default rate data or that is different from the <i>draft</i> cohort default rate data.
<i>Official</i>	Erroneous Data Appeal	For a school that is subject to sanction, contest <i>official</i> cohort default rate data that was not included in the <i>draft</i> cohort default rate data (new data) and/or contest the data manager’s decision (disputed data).
<i>Official</i>	Loan Servicing Appeal	Contest servicing of the borrower’s loan account.
<i>Official</i>	Economically Disadvantaged Appeal	Demonstrate a high number of low-income students and high placement or completion rates.
<i>Official</i>	Participation Rate Index Appeal	Demonstrate a low borrower participation rate.
<i>Official*</i>	Average Rates Appeal	Demonstrate a low number of borrowers.

Before notifying you of your official cohort default rate, we make an initial determination about whether you qualify for these appeals

Are there any consequences if a school submits adjustments and/or appeals but fails to avoid sanctions?

In addition to losing eligibility, a school that submits adjustments and/or appeals but fails to avoid sanctions is liable for certain costs associated with the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were disbursed more than 45 calendar days after the school submitted its completed adjustment or appeal to the Department. Schools may avoid this liability if they choose not to originate loans during the adjustment and appeal process.

If a school is subject to a sanction, when does the sanction take effect?

The effective date of the sanction is dependent upon whether or not the school timely submitted an adjustment or appeal, and the current sanction status of the school. The chart below summarizes the effective date of sanctions based upon these circumstances.

Effective date of sanctions

	School is NOT Currently Under Sanction	School IS Currently Under Sanction
School Does Not Timely Submit Adjustment or Appeal	The school's participation ends 30 calendar days after the date the school first receives notice that it is subject to the loss of eligibility.	The school's previous loss of eligibility remains in effect and the school will receive an additional sanction.
School Timely Submits Adjustment or Appeal, but Adjustment or Appeal is Unsuccessful	The school's participation ends on the date that the school received the Department's final decision indicating that the adjustment and/or appeal was unsuccessful. A school may choose not to participate during the period to avoid incurring a liability.	The school's previous loss of eligibility remains in effect and the new loss of eligibility is effective when the school receives the Department's final decision indicating that the school's adjustment or appeal was unsuccessful. The new loss of eligibility does not replace the previous loss but it does extend the length of time that a school is unable to participate in the Direct Loan or Federal Pell Grant Program.
School Timely Submits Adjustment or Appeal, and Adjustment or Appeal is Successful	The Department will withdraw the notification that the school is subject to a loss of eligibility.	The Department will withdraw the notification that the school is subject to an additional loss of eligibility. However, the previous loss of eligibility remains in effect.