Consequences of high cohort default rates

Schools face sanctions under the following conditions:

- For a cohort default rate of greater than 40 percent for any year, schools lose eligibility to participate in the Direct Loan Program.
- For a default rate of 30 percent or more for any year, schools must create a default prevention taskforce that will develop and implement a plan to address the high default rate. That plan must be submitted to the Department for review.
- For a default rate of 30 percent or more for a second consecutive year, schools must submit to the Department a revised default prevention plan and may be placed on provisional certification.
- For a cohort default rate of 30 percent or more for three consecutive years, schools lose eligibility to participate in both the Direct Loan Program and the Federal Pell Grant Program.

Moreover, a school is not considered to be administratively capable when

- the CDR for Federal Stafford/SLS loans or Direct Subsidized/ Unsubsidized Loans made to students for attendance at the school equals or exceeds 30% for two of the three most recent fiscal years or
- the CDR for Perkins loans made to students for attendance at the school exceeds 15%. See *Volume 6* for other rules and associated penalties related specifically to high Perkins default rates.

When a high default rate demonstrates a lack of administrative capability, a school may become ineligible to participate in the Direct Loan, Pell Grant, or Perkins programs, or the Department may choose to provisionally certify such a school. For detailed information on default rates, including challenges and appeals, refer to the *Cohort Default Rate Guide* on the IFAP website.

High default rates

Default rates and administrative capability

34 CFR 668.16(m)

Default prevention and management plan

As mentioned, if a school's cohort default rate is equal to or greater than 30%, it must establish a default prevention task force that prepares a plan that

- identifies the factors causing the default rate to exceed the threshold,
- establishes measurable objectives and the steps the school will take to improve the default rate, and
- specifies the actions the school will take to improve student loan repayment, including counseling students on repayment options.

A school must submit its default prevention plan to its school participation division for review. If the cohort default rate is equal to or greater than 30% for two consecutive fiscal years, the default prevention plan must be revised and submitted again for review.

Default prevention and management plan for new schools

New schools are required to implement a default prevention and management plan prior to certification. In addition, a school that undergoes a change in ownership that results in a change in control or a school that changes its status as a main campus, branch campus, or additional location must implement a default management plan.

A school applying to participate is exempt from submitting a default plan if the school, including its main campus and any branch campus, does not have a cohort default rate greater than 10% and the new owner of the school does not own and has not owned any other school that had a cohort default rate greater than 10% during the owner's tenure.

Default rate and contact information on the Web

The Operations Performance Division in Federal Student Aid responds to questions about cohort default rates and reviews cohort default rate challenges, adjustments, and appeals. It also provides technical assistance and outreach to schools to assist them in lowering their default rates. More information, including searchable default rates for all schools participating in the FSA programs, is available on the default management website. Schools can also call the hotline at (202) 377-4259 or email fsa.schools.default.management@ed.gov.