

New CDR Calculation to be Phased In

By Julia Alexander

Beginning with federal fiscal year 2009, the calculation for school cohort default rates (CDR) will change from a two-year period to a three-year period. The Department plans to phase in the new calculations over the next few years. For the first three years, both two and three-year rates will be published. The first rate using the new formula won't be published until 2012.

In the new calculation, a school's cohort will still be the number of borrowers who enter repayment in a federal fiscal year. However, instead of counting the number of borrowers who default by the end of the following fiscal year, an additional year will be added to the time frame.

With an additional year in the calculation more borrowers may be able to rehabilitate their loans in time to be subtracted from the numerator, potentially lowering a school's rate.

For loans first disbursed on or after October 1, 2011, the CDR threshold will increase from 10 to 15 percent before multiple disbursements are required for a single-term loan period. The same threshold applies to 30-day delayed delivery to first-time, first-year students. Some other changes include:

- The threshold for determining when a federal student aid-eligible institution loses eligibility to participate increases from 25 to 30 percent beginning in fiscal year 2012.

- Also beginning fiscal year 2012, the first year a school's cohort default rate is equal to or greater than 30 percent, the school must establish a default prevention task force to prepare and submit a plan with measurable objectives for improving student repayment to the Department. After the first year, other requirements may also apply.

See our chart for details on how the new rates will be phased in. Proposed regulations with the new formula and other changes made by the Higher Education Opportunity Act are expected this summer with final regulations by November 1. If you have questions, please contact Julia Alexander at julia.alexander@college-assist.com.

CDR Transition to Three-Year Rates

FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
◀ In Repay ▶	Default By ▶	FY 2007 Published					
	◀ In Repay ▶	Default By ▶	FY 2008 Published				
		◀ In Repay ▶	Default By ▶	2-Year FY 2009 Published			
			◀ In Repay ▶	Default By ▶	2-Year FY 2010 Published		
				◀ In Repay ▶	Default By ▶	2-Year FY 2011 Published	
		◀ In Repay ▶	Default By ▶		3-Year FY 2009 Published		
			◀ In Repay ▶	Default By ▶		3-Year FY 2010 Published	
				◀ In Repay ▶	Default By ▶		3-Year FY 2011 Published