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Cohort Default Rates and HEA Title IV Eligibility: Background and Analysis

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Most institutions of higher education (IHEs) that participate in the federal Pell Grant and Direct Loan programs—the primary federal financial aid programs for postsecondary students—are required to meet cohort default rate (CDR) requirements. The CDR is the primary federal institutional accountability mechanism tied to the repayment of federal student loans. It is intended to evaluate institutional quality and the capacity of IHEs to administer federal student aid programs. An IHE may lose its eligibility to participate in the Pell Grant and/or Direct Loan programs if its CDR—the percentage of its federal student loan borrowers who enter repayment on their loans in a given fiscal year and default on those loans within three years of entering repayment—equals or exceeds specified thresholds.

A primary criticism of the CDR metrics as they are currently constructed and applied is that IHEs rarely fail them, and when they do, they are rarely sanctioned for it. From 1992 to 1999 (early in the CDR's use), 1,846 IHEs were subject to sanctions due to high CDRs. For the FY2017 CDRs, 12 IHEs were subject to CDR sanctions. Possible explanations for this trend include that high numbers of poorly performing IHEs may no longer be participating in the Title IV programs due to the initial culling of high-CDR IHEs, that IHEs have adjusted their practices to meet the CDR requirements, and that the expansion of student loan repayment flexibilities (e.g., income-driven repayment [IDR] plans) may make borrower default less likely.

A closer examination of institutional performance under the CDR framework reveals that about 3% of IHEs had FY2017 CDRs approaching but not meeting the statutory threshold (i.e., equal to or greater than 25% but less than 30%). Private for-profit less-than-two-year institutions made up the greatest share of these IHEs. Private nonprofit four-year, public four-year, and private nonprofit two-year IHEs tended to have CDRs at or below the median CDR across all IHEs (9%). Public two-year IHEs tended to have CDRs greater than the median but less than 20%—well below statutory thresholds. Private for-profit (proprietary) four-year IHEs were somewhat evenly distributed on either side of the median. Across all institutions, those IHEs with CDRs of 25% or higher had average rates of undergraduate students receiving Pell Grants compared to all IHEs. Historically Black Colleges and Universities (HBCUs) were more likely than non-HBCUs to have CDRs of 25% or higher.

Should Congress opt to address concerns about the CDR's utility, it might explore a variety of adjustments to the CDR framework.

- **Adjusting CDR Thresholds:** If the intent of the CDR framework is to weed out relatively poorly performing (i.e., higher CDR) IHEs, lower CDR thresholds for the application of CDR sanctions would presumably lead to more IHEs failing the stricter criteria.
- **Supplementing the CDR:** Incorporation of an additional measure that differentiates between IHEs with high or low proportions of students borrowing federal student loans, or that differentiates IHEs with student loan defaulters who owe larger or smaller amounts on their loans, may help students assess the relative risk of loan default at particular IHEs. This might also help illuminate the relative risk of monetary loss for the federal government as a lender.
- **Eliminating the CDR:** Developments in the federal student loan programs, such as the availability and utilization of IDR plans, have led some stakeholders to assert that the CDR is “effectively worthless” as a measure of institutional quality. It has become much easier for borrowers, even those who are struggling economically, to avoid default. Congress might consider whether to eliminate the CDR altogether. Doing so may free up administrative resources at the U.S. Department of Education and IHEs that are currently devoted to CDR oversight and compliance but may lead to issues like increased incidents of fraud in the federal student loan programs absent replacing the CDR with another federal student loan repayment performance measure, such as a loan repayment rate.
- **Amending the CDR Calculation:** Altering the CDR calculation—for instance, by accounting for periods of deferment of forbearance and/or by including PLUS Loans—may provide stakeholders with added clarity to institutional performance under the CDR, as either potential adjustment would presumably more fully encompass current borrower behaviors and experiences.

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Title IV of the Higher Education Act of 1965 (HEA; P.L. 89-329, as amended), authorizes the primary and largest (in terms of participation and dollars) federal programs that provide financial assistance (e.g., Pell Grants and Direct Loans) to students for obtaining a postsecondary education at eligible institutions of higher education (IHEs).¹ In academic year 2021-2022 (July 1, 2021-June 30, 2022), approximately 6,000 institutions participated in the Title IV programs.² In award year 2021-2022 (July 1, 2021-June 30, 2022), approximately \$102 billion was disbursed to students attending IHEs through the Title IV federal student aid programs.³

IHEs participating in the Title IV programs must meet a variety of requirements.⁴ Among these, IHEs may be required to meet cohort default rate (CDR) requirements. Under the CDR framework, an IHE may lose eligibility to participate in the Direct Loan and/or Pell Grant programs if the percentage of its federal student loan recipients who default on their loans within three years of entering repayment equals or exceeds specified thresholds. A CDR above the specified thresholds may also affect an IHE's participation in other Title IV programs.

The CDR is the primary federal institutional accountability mechanism tied to the repayment of federal student loans. It is intended to evaluate institutional quality and capacity to administer federal student aid programs. One of the assumptions underlying the CDR is that if an IHE is of sufficient quality, it will provide its students with the skills to enable them to repay their loans.⁵ In recent years, the CDR's utility and design have been questioned by some Members of Congress, and various stakeholders have suggested an array of changes to the CDR to strengthen it as an institutional accountability tool. These proposals run the gamut from potentially eliminating the CDR altogether and replacing it with another student loan-based institutional accountability metric⁶ to updating how it is calculated to reflect new student loan borrowing patterns and institutional behaviors.⁷

This report describes and analyzes the CDR as an institutional accountability metric. It begins with a history of the CDR and then describes how the CDR framework currently operates. It then presents information on historical and more recent CDR trends and discusses potential explanations for why CDRs are no longer screening out many IHEs. Next, the report takes a closer look at CDR distribution within and across institutional sectors and explores how two novel measures that could possibly be incorporated into a CDR-style accountability metric align with the CDR. These two measures are a student loan borrower rate (SBR), which measures the rate at which enrolled students borrow to attend an IHE; and a student loan dollar default rate (SLDDR), which measures the amount of student loan dollars owed by an IHE's defaulted

¹ For information on the HEA Title IV aid programs, see CRS Report R43351, *The Higher Education Act (HEA): A Primer*.

² U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System Data Explorer, "Number and percentage distribution of Title IV institutions, by control of institution, level of institution, and region: United States and other U.S. jurisdictions, academic year 2021-22," https://nces.ed.gov/ipeds/Search?query=&query2=&resultType=all&page=1&sortBy=date_desc&overlayTableId=32461.

³ U.S. Department of Education, Office of Federal Student Aid, Student Aid Data Center, "Title IV Program Volume Reports: Award Year Summary by School Type," 2021-2022, <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/SummarybySchoolType.xls>. This total includes Title IV funds made available through the Direct Loan, Pell Grant, Iraq/Afghanistan Service Grant, and TEACH Grant programs. It excludes Title IV funds made available through the Federal Supplemental Educational Opportunity Grants and Federal Work-Study Programs.

⁴ For an overview of the various requirements IHEs must meet to participate in the Title IV programs, see CRS Report R43159, *Institutional Eligibility for Participation in Title IV Student Financial Aid Programs*.

⁵ U.S. Department of Education, "Student Assistance General Provisions and Guaranteed Student Loan and PLUS Programs," 53 *Federal Register* 36216, September 16, 1988.

⁶ See, for example, H.R. 4508 (115th Congress).

⁷ See, for example, H.R. 4662 (116th Congress).

borrowers three years after entering repayment in a given year compared to the amount of student loans borrowed by all of an IHE's student loan borrowers who entered repayment in that year. The report concludes with a discussion of relevant policy considerations.

Appendix A to this report provides a series of tables that present information on the characteristics of IHEs as measured according to the CDR, the CDR paired with the SBR, and the CDR paired with the SLDDR. **Appendix B** provides details on the methodology CRS used to examine the three above-described methodologies. **Appendix C** provides a list of selected acronyms used in this report.

History of Cohort Default Rates

The use of student loan default rates as a means to evaluate institutional quality traces its genesis to regulatory actions taken by the Department of Health, Education, and Welfare's (HEW's) Office of Education (the precursor to the U.S. Department of Education) in 1975. In the 1980s and 1990s, a more contemporary cohort default rate framework was established through a series of legislative and regulatory actions, culminating with enactment of CDR provisions in the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990; P.L. 101-508). Since that time, Congress has updated the framework on several occasions, including making adjustments to how CDRs are calculated and enacting legislation to enable some IHEs that would otherwise be subject to CDR sanctions to avoid them.

1975 HEW Regulatory Actions

The HEA was initially enacted in 1965 and authorized the Guaranteed Student Loan (GSL) program. Under this program, private sector and state-based lenders made loans to borrowers using private capital and those loans were guaranteed against loss in limited circumstances (e.g., borrower death or default). Loans were either guaranteed by state or nonprofit agencies or, in states without a state or nonprofit agency, directly by the federal government.⁸

As early as the beginning of the 1970s, the incidence of default under the program became a concern for policymakers. HEW estimated that segments of the program would see a default rate equal to 18.5% in FY1975⁹ and sustained future increases in the default rate¹⁰ absent policy interventions.¹¹ Some program participants stated these default rates were "intolerable."¹² Stakeholders pointed to several factors as potentially contributing to increasing default rates in the GSL program overall. These included, for example, HEW difficulties with aspects of program management and implementation, a lack of borrower understanding of the responsibilities

⁸ These two models of loan guarantee were collectively referred to as the GSL program; the federal guarantee model alone was referred to as the Federally Insured Student Loan (FISL) program. Over time, the dual approach of having state-based or federal guarantors was phased out. The state-based approach was retained and became the mechanism for providing guarantees for GSLs (and eventually Federal Family Education Loan program loans) across the nation.

⁹ These estimates applied to the FISL portion of the program. At the time, data on default rates in the GSL program as a whole were incomplete and, thus, were not reported. U.S. Congress, Senate Committee on Labor and Public Welfare, *Examination of the Guaranteed Student Loan Program, 1974*, 93rd Cong., 2nd sess., September 18-19, 1974, (Washington, DC: GPO, 1974), pp. 3-5 (hereinafter, "*Examination of the Guaranteed Student Loan Program*").

¹⁰ *Default rate* appears to have been defined as the ratio of loan dollars that defaulted divided by the amount of loans that entered repayment status.

¹¹ *Examination of the Guaranteed Student Loan Program*, pp. 3-5.

¹² *Examination of the Guaranteed Student Loan Program*, p. 144.

associated with borrowing,¹³ and gaps in student aid administrative processes at IHEs, which led to overborrowing in some cases.¹⁴

Some stakeholders saw a relationship between the type of institutions attended by GSL borrowers and high default rates. Data indicated that proprietary (private, for-profit) IHEs and community colleges tended to have higher default rates compared to other types of IHEs. Some stakeholders believed this was a result of the types of students served by such institutions (e.g., student populations who tended to be at higher risk of default),¹⁵ while others highlighted issues with the educational quality of some IHEs that “defaulted on their obligation to train and instruct.”¹⁶

In 1975, to address the default issue in the program, HEW’s Office of Education promulgated regulations that specified factors the Commissioner of Education (Commissioner) could use to determine whether an IHE was eligible to participate in the GSL program. These factors included a requirement that IHEs have a default rate of no more than 10%.¹⁷ *Default rate* was calculated by dividing the total dollar amount of defaulted GSLs made to the IHE’s students that had entered repayment by the total dollar amount of all GSLs to the IHE’s students that had entered repayment, and multiplied by 100. For an IHE with a default rate exceeding 10% or that failed to meet other specified conditions, the Commissioner could require it to take “reasonable and appropriate measures to alleviate” the conditions for initial or continued participation in the student aid programs.¹⁸ The IHE was given the opportunity to produce evidence that the conditions did not have an adverse effect on the GSL program or to submit a plan on how it proposed to improve on the conditions.¹⁹ The Commissioner could also impose limitations on an IHE “reasonably intended to correct such conditions.”²⁰ Under this framework, the Commissioner had the burden to show that an IHE had failed to take reasonable steps to reduce default rates in order to justify termination of the IHE’s Title IV participation.²¹

In response to the establishment of the conditions, some commentators believed that to avoid possible sanctions, some IHEs might raise admission standards to reduce default rates. They believed that such institutional actions might result in discrimination against minority and low-income students. Others believed that the thresholds were too restrictive and that they may “hurt many schools that are doing a good job.”²² In reply, the Office of Education stated that while it did not encourage nor condone discrimination, it did have a responsibility to administer the GSL program in a sound and prudent manner and noted that when an IHE met any of the conditions, it was often the result of issues in the IHE’s GSL program administration. With respect to default rates in particular, the Office of Education noted there was “a good deal of evidence” indicating “a high correlation between default rates and the educational institution attended,” and that an

¹³ *Examination of the Guaranteed Student Loan Program*, pp. 6-9, 10, 114, and 127-128.

¹⁴ U.S. Government Accountability Office (GAO), *Need for Improved Coordination of Federally Assisted Student Aid Programs in Institutions of Higher Education*, B-164031(1), August 2, 1972, pp. 12-19.

¹⁵ *Examination of the Guaranteed Student Loan Program*, p. 130.

¹⁶ *Examination of the Guaranteed Student Loan Program*, p. 83.

¹⁷ The other factors were a requirement that no more than 20% of an IHE’s students withdrew from it during any academic year, no more than 60% of an IHE’s students received a GSL for any academic year, and the IHE’s financial condition was sufficient to enable it to provide the educational services for which its students who obtained GSLs had enrolled.

¹⁸ U.S. Department of Health, Education, and Welfare, “Federal, State, and Private Programs of Low-Interest Loans to Students in Institutions,” 40 *Federal Register* 7596, February 20, 1975.

¹⁹ 40 *Federal Register* 7591, February 20, 1975.

²⁰ 40 *Federal Register* 7591, February 20, 1975.

²¹ 53 *Federal Register* 36217, September 16, 1988.

²² 40 *Federal Register* 7591, February 20, 1975.

IHE's high default rate may be "symptomatic that there are problems at the institution which adversely affect" the GSL program.²³

1980s and 1990s Student Loan Default Issues

While Congress expressed concern over the high incidence of default in the GSL program as early as the 1970s, its initial efforts to address the issue via statutory provisions began in earnest in the 1980s. Congressional testimony from the General Accounting Office (now the Government Accountability Office [GAO]) show that between 1983 and 1989, loan volume under the GSL program rose 83% while defaults rose by 338%, and the share of program costs associated with defaults rose from approximately 10% in 1980 to 36% in 1990.²⁴

Stakeholders pointed to a number of issues as factors potentially leading to the rising incidence of default and associated increased costs in the GSL program, some of which echoed concerns raised about default rates in the 1970s. Some stakeholders speculated that changes in GSL borrower eligibility requirements and the failure of federal grant aid such as Pell Grants to keep pace with rising college costs resulted in a greater proportion of low-income students (who were more likely to default) borrowing loans to finance their postsecondary education.²⁵ Research findings indicated that individuals who defaulted on their student loans tended to be individuals who did not complete their postsecondary education.²⁶ Some observers believed that strengthening institutional operations, such as through improving educational support services and changing administrative practices, could aid in lowering loan defaults.²⁷

Concerns about institutional quality and practices (some of which were alleged to rise to the level of fraud) were also raised. While these issues were noted across all institution types, some observers identified proprietary IHEs as being particularly problematic and reported that default rates were disproportionately concentrated at such schools.²⁸ According to GAO, proprietary IHEs accounted for 22% of all loans borrowed but 44% of all student loan defaults. Additionally, the default rates of students who attended proprietary IHEs were much higher (39%) than default rates of students who attended public and private nonprofit IHEs (e.g., 25% at public two-year IHEs, the next highest default rate among sectors).²⁹ While it was acknowledged that proprietary IHEs tended to enroll higher concentrations of students who were more likely to default on their loans (e.g., low-income students), some Members of Congress argued that at least some of these proprietary IHEs "lacked strict program and enrollment criteria, as well as administrative policies" and did not offer valuable training to their students.³⁰

²³ 40 *Federal Register* 7591, February 20, 1975.

²⁴ U.S. Congress, Senate Committee on Governmental Affairs, Permanent Subcommittee on Investigations, *Abuses in the Federal Student Aid Programs*, 101st Cong., 2nd sess., February 20, 26, 1990, S.Hrg.101-659 (Washington, DC: GPO, 1990), pp. 6-7.

²⁵ U.S. Congress, House Committee on Education and Labor, Subcommittee on Postsecondary Education, *Student Loan Defaults—The Belmont Task Force Report*, 100th Cong., 2nd sess., February 2, 1988, Serial No. 100-64 (Washington, DC: GPO, 1988), p. 8, 10-11 (hereinafter, "*Student Loan Defaults—The Belmont Task Force Report*").

²⁶ *Student Loan Defaults—The Belmont Task Force Report*, p. 12.

²⁷ *Student Loan Defaults—The Belmont Task Force Report*, p. 22.

²⁸ U.S. Congress, Senate Committee on Governmental Affairs, Permanent Subcommittee on Investigations, *Abuses in Federal Student Aid Programs*, 101st Cong., 2nd sess., February 20, 26, 1990, S.Hrg.101-659 (Washington, DC: GPO, 1990), pp. 12, 21.

²⁹ U.S. Government Accountability Office (GAO), *Guaranteed Student Loans: Analysis of Student Default Rates at 7,800 Postsecondary Schools*, GAO/HRD-89-63BR, July 5, 1989, pp. 15-16. GAO reported on the percentage of borrowers who had a loan guaranteed in academic year 1983 and defaulted on those loans by September 30, 1987.

³⁰ *Student Loan Defaults—The Belmont Task Force Report*, p. 24.

Congressional and Departmental Action

To address the high rates of default, Congress and the U.S. Department of Education (ED) took a series of steps to address multiple aspects of the student loan program, including borrower-based, lender- and guaranty agency-based,³¹ and school-based policy interventions. For borrowers, Congress expanded borrower deferment and forbearance options,³² extended the period of delinquency after which loan default occurred, imposed stricter student loan borrowing limits, required borrowers to pay reasonable collection costs on defaulted loans, and authorized new loan repayment plans like a graduated repayment plan and an income-sensitive repayment plan. For lenders and guaranty agencies (GAs), Congress, among other actions, established lender disclosure requirements, imposed due diligence requirements in default aversion and collection activities, and prohibited lenders and GAs from engaging in certain fraudulent or misleading practices to induce individuals to borrow.³³

Regarding school-based interventions, Congress prohibited IHEs from using commissioned salespersons to promote the availability of the GSL program at the school.³⁴ ED, however, initiated the primary school-based intervention in 1989 through a student loan default initiative. One of the stated aims of the initiative was to reduce defaults in the GSL program (hereinafter, the Federal Family Education Loan [FFEL] program)³⁵ “by strengthening administrative sanctions available to the Secretary against postsecondary institutions with excessive default rates.”³⁶ To that end, ED promulgated regulations³⁷ specifying that it could terminate an IHE’s eligibility to participate in all of the HEA Title IV programs if the IHE’s fiscal year default rate exceeded (1) 40% for any fiscal year after 1989 and had not been reduced by 5% from its previous year’s default rate, or (2) 60% for FY1989, 55% for FY1990, 50% for FY1991, 45% for FY1992, and 40% for any fiscal year after FY1992. *Fiscal year default rate* was newly defined as the percentage of an IHE’s FFEL borrowers³⁸ who entered repayment on those loans in a given

³¹ Under the GSL program, private sector and state-based lenders made loans to students with nonfederal capital, and the federal government guaranteed lenders against loss due to borrower default. Lenders retained ownership of the loans and performed loan servicing functions such as billing borrowers, collecting loan payments, and initiating collections work on defaulted loans. State and nonprofit guaranty agencies received federal funds to play the lead role in administering many aspects of the program related to the loan guarantee, including taking possession of defaulted loans to continue collections work and reimbursing lenders when loans were placed in default.

³² See, for example, P.L. 99-498.

³³ For more information, see CRS Report 91-246 EPW, *Selected Amendments Enacted Since 1980 to Control Student Loan Defaults* (archived, available to congressional clients upon request).

³⁴ For more information, see CRS Report 91-246 EPW, *Selected Amendments Enacted Since 1980 to Control Student Loan Defaults* (archived, available to congressional clients upon request).

³⁵ In 1988, the GSL program was renamed the Robert T. Stafford Student Loan program under P.L. 100-297. The Higher Education Amendments of 1992 (P.L. 102-325) subsequently dually named the program the FFEL program and the Robert T. Stafford Federal Student Loan program. Historically, the characteristics of the loan products offered under each of these three programs were changed many times by amendments. Some consistent characteristics of these programs included the ability of individuals to borrow loans without security or endorsement, the availability of an interest subsidy to qualifying borrowers, and the option for borrowers to defer payment of the principal and interest on their loans during specified periods, such as while enrolled in postsecondary education.

³⁶ 53 *Federal Register* 36216, September 16, 1988.

³⁷ U.S. Department of Education, “Student Assistance General Provisions and Guaranteed Student Loan and PLUS Programs,” 54 *Federal Register* 24114, June 5, 1989. These regulations included other provisions intended to address student loan default rates, such as provisions requiring IHEs to conduct student loan entrance and exit counseling and requiring lenders to inform borrowers of when their loans were sold and to whom payments were to be made.

³⁸ Excluded from this calculation were borrowers of Supplemental Loans for Parents (the precursor to Parent PLUS Loans).

fiscal year and defaulted within a two-year period after entering repayment.³⁹ An IHE subject to termination of its Title IV eligibility could avoid the sanction by demonstrating that it had acted diligently to implement a variety of specified default reduction measures.⁴⁰ IHEs with high default rates but not so high as to meet the thresholds that warranted Title IV termination (default rates exceeding 20% but less than the previously mentioned threshold applicable to each year) could be required to implement default reduction measures (a default management plan) to address the major causes of default by the IHE's students. These new regulations had the effect of placing the burden of proof on an IHE to show that its excessive default rates were due to factors beyond its control. This was a departure from the previous regulatory framework under which ED had the burden to show that an IHE had failed to take reasonable steps to reduce default rates in order to justify termination of the IHE's Title IV participation.⁴¹

ED's regulations were somewhat controversial. During the rulemaking process, some stakeholders said it was "unfair" to require an IHE to show that its excessive default rates were due to factors beyond its control,⁴² and many objected to excluding the composition of an IHE's student body as an acceptable explanation for a high default rate. In response, ED stated it believed that placing the burden of proof on an IHE was appropriate as, in its view, a high default rate gave "rise to a strong inference that its [administrative] capability is lacking,"⁴³ especially given the high default rate thresholds ED had set in regulations.

The Omnibus Budget Reconciliation Acts of 1989 and 1990

Less than one year after ED promulgated its default rate regulations, and in response to the rapid rate of borrowing of Supplemental Loans for Students (SLS; a type of FFEL program loan and a precursor to Unsubsidized Stafford Loans) and the potential defaults associated with those loans,⁴⁴ Congress and the President enacted a statutory default rate provision under the Omnibus Budget Reconciliation Act of 1989 (OBRA 1989; P.L. 101-239). The provision prohibited undergraduate students enrolled at IHEs with a cohort default rate (CDR) of 30% or greater in the most recent fiscal year from borrowing SLS. CDR was defined in a similar manner as the fiscal year default rate specified in regulations: the percentage of Subsidized Loan and SLS borrowers who entered repayment in a given fiscal year (the *cohort fiscal year* [CFY]) and defaulted on those loans within a two-year period after entering repayment. This measure of CDR came to be known as a *two-year cohort default rate*.

Soon thereafter, in 1990, OBRA 1990 revised the CDR measures and made consequences associated with them applicable to all types of loans made under the FFEL program. Specifically, an IHE whose CDR was equal to or greater than specified thresholds for the three most recent

³⁹ For IHEs with 29 or fewer borrowers who entered repayment in a given fiscal year, the default rate was calculated as the average of the IHE's fiscal year default rates for the three most recent fiscal years; 54 *Federal Register* 24117, June 5, 1989.

⁴⁰ 54 *Federal Register* 24114, June 5, 1989. Such default reduction measures included, for example, revising admissions policies to ensure that enrolled students had a reasonable expectation of succeeding in their programs of study, improving the availability and effectiveness of academic counseling and job placement programs, and attempting to reduce withdrawal rates by improving curricula, facilities, materials, and other aspects of educational programs.

⁴¹ 53 *Federal Register* 36217, September 16, 1988.

⁴² 54 *Federal Register* 24123, June 5, 1989.

⁴³ 53 *Federal Register* 24123, June 5, 1989.

⁴⁴ Congress reported that 97,000 SLS were made in 1985 and 717,000 SLS were made in 1989, a 639% increase. U.S. Congress, House Committee on the Budget, *Providing for Reconciliation Pursuant to Section 5 of the Concurrent Resolution on the Budget for Fiscal Year 1990*, report to accompany H.R. 3299, 101st Cong., 1st sess., September 20, 1989, H.Rept. 101-247, pp. 87-89.

consecutive cohort fiscal years was ineligible to participate in the FFEL program. The CDR threshold was 35% for CFY1991 and CFY1992 and 30% for each cohort fiscal year thereafter. The act specified that an IHE could appeal its loss of eligibility if it could demonstrate that ED's calculation of its CDR was incorrect or there were "exceptional mitigating circumstances" that would make loss of program eligibility inequitable. Historically Black Colleges and Universities (HBCUs), tribally controlled community colleges (later referred to as tribally controlled colleges or universities [TCCUs]), and Navajo Community College (later renamed Diné College) were exempt from the CDR provisions until July 1, 1994.⁴⁵

ED subsequently promulgated implementing regulations for the new CDR requirements.⁴⁶ Among other provisions, the regulations specified those exceptional mitigating circumstances that would make an IHE's loss of program eligibility due to it exceeding the CDR thresholds inequitable. These included (1) the progress of the IHE in reducing its CDR,⁴⁷ (2) whether the IHE was "successfully serving students from disadvantaged backgrounds,"⁴⁸ and (3) whether the IHE had high student completion and placement rates while a percentage of the IHE's students received federal student loans.⁴⁹

Subsequent CDR Amendments in the 1990s and early 2000s

Following the enactment of the OBRA 1990 CDR requirements and their implementing regulations, a number of other statutory and regulatory changes were made to them, along with a variety of other measures intended to continue to enhance the integrity of the Title IV aid programs and reduce student loan defaults.⁵⁰ Statutory and regulatory changes included the following:

- lowering the CDR threshold to 25% for CFY1994 onward⁵¹;
- requiring ED to prioritize HEA Title IV program reviews of IHEs with high CDRs⁵²;
- extending the CDR requirements to the newly authorized Direct Loan program⁵³;

⁴⁵ While the legislative history does not reveal an apparent rationale for this exemption, GAO reported that subsequent extensions of the exemption were made in light of "special challenges faced by HBCUs and Tribal Colleges." U.S. Congress, Senate Committee on Labor and Human Resources, *Higher Education Act Amendments of 1998*, report to accompany S. 1882, 105th Cong., 2nd sess., May 4, 1998, S.Rept. 105-181 (Washington, DC: GPO, 1998), p. 50.

⁴⁶ U.S. Department of Education, "Student Assistance General Provisions and Guaranteed Student Loan Programs," 56 *Federal Register* 33332, July 19, 1991.

⁴⁷ Application of this exceptional mitigating circumstance was limited to a single year.

⁴⁸ An IHE was considered to meet this criterion if at least two-thirds of its at least half-time enrollment students were from disadvantaged economic backgrounds, at least two-thirds of its full-time students completed the educational program in which they were enrolled, and at least two-thirds of such students who completed their program obtained employment in an occupation for which the IHE provided training or subsequently enrolled in a more advanced educational program.

⁴⁹ 56 *Federal Register* 33332, July 19, 1991.

⁵⁰ For example, the timing of when default was considered to have occurred was changed from 180 days of nonpayment to 270 days of nonpayment; The Higher Education Amendments of 1998 (P.L. 105-244).

⁵¹ The Higher Education Amendments of 1992 (P.L. 102-325).

⁵² The Higher Education Amendments of 1992 (P.L. 102-325).

⁵³ U.S. Department of Education, "Student Assistance General Provisions," 60 *Federal Register* 49178, September 21, 1995.

- extending, on multiple occasions, the timeframe for the CDR exemptions for HBCUs and TCCUs, ultimately through June 30, 2004⁵⁴;
- creating incentives for IHEs to maintain low CDRs by exempting them from specified loan program administrative requirements⁵⁵;
- adding to and modifying the instances when IHEs would be considered to have “exceptional mitigating circumstances”⁵⁶;
- specifying that IHEs were ineligible to participate in the Pell Grant program due to high CDRs⁵⁷;
- changing the duration of when default was considered to have occurred from 180 days of nonpayment to 270 days of nonpayment⁵⁸; and
- specifying that IHEs lost eligibility to participate in the FFEL and Direct Loan programs if their CDRs were greater than 40% for a single cohort fiscal year.⁵⁹

Higher Education Opportunity Act of 2008

The enactment of the myriad policies to curb student loan defaults in the late 1980s and throughout the 1990s, including but not limited to CDR requirements, was followed by a substantial decrease in cohort default rates and an initial increase in associated institutional accountability actions. For example, the national CDR⁶⁰ peaked with the CFY1993 CDR (22.4%) and gradually decreased to a low with the CFY2003 CDR (4.5%), with some scholars suggesting that this decrease was due, at least in part, to the implementation of the CDR requirements.⁶¹

⁵⁴ P.L. 103-235 extended the exemption from July 1, 1994, to July 1, 1998. Leading up to this extension, GAO estimated that absent an extension, 33 of the then 104 HBCUs could lose their Stafford Loan program (also referred to as the FFEL program at the time) eligibility; U.S. Government Accountability Office (GAO), *Default Rates at HBCUs*, GAO/HEHS-94-97R, March 9, 1994, pp. 3-4. The Higher Education Amendment of 1998 (P.L. 105-244) extended the exemption from July 1, 1998, to July 1, 1999. After July 1, 1999, HBCUs and TCCUs remained exempt if they engaged in certain activities to help ensure their CDRs fell below statutory thresholds by July 1, 2002. (Leading up to this extension, GAO estimated that absent an extension, 22 of 98 HBCUs for which CDRs were then available could lose their Title IV eligibility; GAO, *Student Loans: Default Rates at Historically Black Colleges and Universities*, GAO/HEHS-97-33, January 21, 1997, p. 3.) The Consolidated Appropriations Act of 2001 (P.L. 106-554) extended the exemption from July 1, 2002, to June 30, 2004. Leading up to this extension, a House Education and Workforce Committee report recognized that HBCUs “play a vital role in providing access to postsecondary education for students who might not otherwise enroll in higher education.” U.S. Congress, House Committee on Education and the Workforce, *Higher Education Technical Amendments of 2000*, report to accompany H.R. 4505, 106th Cong., 2nd sess., June 12, 2000, H.Rept. 106-665, p. 14.

⁵⁵ Higher Education Amendments of 1998 (P.L. 105-244); and U.S. Congress, Senate Committee on Labor and Human Resources, *Higher Education Act Amendments of 1998*, report to accompany S.1882, 105th Cong., 2nd sess., May 4, 1998, S.Rept. 105-181 (Washington, DC: GPO, 2008), p. 30.

⁵⁶ U.S. Department of Education, “Student Assistance General Provisions,” 60 *Federal Register* 61760, December 1, 1995; and Higher Education Amendments of 1998 (P.L. 105-244).

⁵⁷ Higher Education Amendments of 1998 (P.L. 105-244).

⁵⁸ Higher Education Amendments of 1998 (P.L. 105-244).

⁵⁹ U.S. Department of Education, “Student Assistance General Provisions, Federal Family Education Loan Program, William D. Ford Federal Direct Loan Program, and Federal Pell Grant Program,” 65 *Federal Register* 65632, November 1, 2000.

⁶⁰ The national CDR is a single CDR for all IHEs in a given cohort fiscal year.

⁶¹ See the “National CDR” section of this report. See also, for example, Rajeev Darolia, *What Happens to Students When the Federal Government Sanctions Colleges?*, Third Way, October 22, 2019, p. 7, <https://thirdway.imgix.net/pdfs/override/What-Happens-to-Students-When-the-Fed-Gov-Sanctions-Colleges.pdf>.

Additionally, the number of IHEs subject to sanctions due to high CDRs peaked with the CFY1992 CDRs (1,028 IHEs), but quickly declined to near zero with the CFY1998 CDRs.⁶²

Despite these gains, in 2003 ED's Office of Inspector General (OIG) found that CDRs did not provide decisionmakers with sufficient information on Title IV student loan defaults overall.⁶³ Among other findings, OIG found that rates of default increased in the year immediately following the two-year measurement period used in CDRs at the time. OIG also found that borrowers in deferment or forbearance on their loans materially lowered IHEs' CDRs, as borrowers in these statuses are considered to be in repayment on their loans for CDR purposes. Thus, these statuses could extend the period of time during which a borrower was not a risk of default, potentially through the end of the two-year measurement period.⁶⁴ OIG concluded that without information that reflected general default trends, IHEs might continue to participate in the Title IV programs even though a significant portion of their students may ultimately default on their loans.

While some Members of Congress believed that CDRs were "one effective mechanism" to protect the integrity of the federal student aid programs and were a "relatively reliable indicator of the quality of programs and resulting successes of students in the job market," they also found that CDRs may not always provide an accurate depiction of student loan defaults. Thus, at least in part due to OIG's findings, these Members proposed updating the definition of CDR to be the percentage of FFEL and Direct Loan program Subsidized Loan and Unsubsidized Loan borrowers⁶⁵ who entered repayment in a given fiscal year and defaulted on those loans within three fiscal years of entering repayment (*three-year cohort period*).⁶⁶ This definition of CDR came to be known as the *three-year CDR*. It was reported that an unofficial analysis by ED found that in using a three-year CDR, the overall CDR at proprietary IHEs would nearly double to 16.7%, the overall CDR for public IHEs would increase from 4.7% to 7.2%, and the overall CDR at private nonprofit IHEs would increase from 3.0% to 4.7%.⁶⁷ Opponents of these proposed changes largely represented proprietary IHEs, and argued that the changes would unfairly penalize proprietary IHEs for accepting large numbers of low-income students, who were more likely to default on their loans. They further argued that research had shown little correlation between default rates and institutional quality but rather reflected other factors such as student socioeconomic status, academic success, and postgraduate income.⁶⁸

While Congress and the President ultimately enacted a three-year CDR under the Higher Education Opportunity Act of 2008 (HEOA; P.L. 110-315), the CDR threshold was upward

⁶² The CFY1992 CDRs resulted in ED imposing sanctions on IHEs in 1994. The CFY1998 CDRs resulted in ED imposing sanctions on IHEs in 2000. U.S. Government Accountability Office (GAO), *Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates*, GAO-18-163, April 26, 2018, p. 46; and GAO, *Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates*, GAO-18-163, April 2018, p. 11, <https://www.gao.gov/assets/gao-18-163.pdf>.

⁶³ U.S. Department of Education, Office of Inspector General, *Audit to Determine if Cohort Default Rates Provide Sufficient Information on Defaults in the Title IV Loan Programs*, ED-OIG/A03-C0017, December 22, 2003.

⁶⁴ GAO made similar findings in 1999; see GAO, *Student Loans: Default Rates Need to Be Computed More Accurately*, GAO/HEHS-99-135, July 28, 1999, <https://www.gao.gov/assets/hehs-99-135.pdf>.

⁶⁵ The Higher Education Reconciliation Act of 2005 (P.L. 109-171) authorized PLUS Loans to graduate and professional students beginning July 1, 2006.

⁶⁶ See U.S. Congress, House Committee on Education and Labor, *College Opportunity and Affordability Act of 2007*, report to accompany H.R. 4137, 110th Cong., 1st sess., December 19, 2007, H.Rept. 110-500, p. 261.

⁶⁷ Kelly Field, "For-Profit Colleges Lobby Against Proposed Change in Calculating Student-Loan Default Rates," *The Chronicle of Higher Education*, January 30, 2008.

⁶⁸ Kelly Field, "For-Profit Colleges Lobby Against Proposed Change in Calculating Student-Loan Default Rates," *The Chronicle of Higher Education*, January 30, 2008.

adjusted from 25% to 30% to address concerns raised by the proposal's opponents.⁶⁹ To implement these changes, the HEOA provided a three-year transition period during which the two-year CDR methodology remained in effect until three consecutive years' worth of CDRs under the new three-year calculation were available. Thus, for the period of CFY2009 through CFY2011, both a two-year and a three-year CDR were calculated, but IHEs were not subject to sanctions pursuant to the three-year CDR until FY2014 (i.e., after the CFY2011 three-year CDR was available).⁷⁰

Recent Developments

In general, statutory and regulatory CDR provisions have not been directly amended since the HEOA's enactment and the promulgation of its implementing regulations. However, Congress and ED have taken a variety of actions in recent years that enabled some IHEs that would have otherwise been subject to loss of eligibility to participate in the Direct Loan and/or Pell Grant program to continue their participation:

- In 2014, in response to concerns over split-loan servicing,⁷¹ ED adjusted CDR calculations by excluding as defaulted those borrowers who defaulted on an applicable student loan but had one or more other Direct or FFEL program loans in a repayment, deferment, or forbearance status for at least 60 consecutive days and did not default during the three-year measurement period. ED only adjusted CDRs in this way for IHEs that would have otherwise been subject to the potential loss of Direct Loan and/or Pell Grant program eligibility with the release of the CFY2011 CDRs.⁷² It is unclear how many IHEs were affected by the adjustment. Reports indicate that some community colleges and HBCUs had requested the relief from ED⁷³ and that just prior to the adjustment, 15 community colleges had two consecutive years of default rates above the 30% threshold.⁷⁴
- In 2018, as part of the Bipartisan Budget Act of 2018 (P.L. 115-123), Congress authorized ED to waive the application of certain CDR appeals requirements during the period of February 9, 2018, to March 23, 2018, for a public IHE that offered an associate's degree, was located in an economically distressed county,⁷⁵

⁶⁹ Kelly Field, "House Bill Retains Controversial Default-Rate Plan but Adds Safeguards," *The Chronicle of Higher Education*, February 6, 2008. See also, Jacob P.K. Gross, Osman Cekic, and Don Hossler et al., "What Matters in Student Loan Default: A Review of the Research Literature," *Journal of Student Financial Aid*, vol. 39, no. 1 (2009), pp. 19-29.

⁷⁰ The HEOA also made foreign nursing schools eligible to participate in the FFEL program. In doing so, it specified that such schools must reimburse ED for "the cost of any loan defaults for current and former students included" in their CDR calculations during the previous fiscal year. This provision has never been implemented because no foreign nursing school has ever participated in the Direct Loan program. This report will not further address CDRs at foreign nursing schools.

⁷¹ Split-servicing occurs when a borrower's HEA Title IV loans are serviced by more than one loan servicer.

⁷² U.S. Department of Education, Office of Federal Student Aid, "Adjustment of Calculation of Official Three-Year Cohort Default Rates for Institutions Subject to Potential Loss of Eligibility," electronic announcement, September 23, 2014, <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2014-09-23/general-subject-adjustment-calculation-official-three-year-cohort-default-rates-institutions-subject-potential-loss-eligibility>.

⁷³ Michael Stratford, "Reprieve on Default Rates," *Inside Higher Ed*, September 4, 2014.

⁷⁴ Paul Fain, "The Default Trap," *Inside Higher Ed*, July 30, 2014.

⁷⁵ *Economically distressed county* was defined as "a county that ranks in the lowest 5% of all counties in the United States based on a national index of county economic status."

and would have otherwise lost eligibility to participate in the Pell Grant program.⁷⁶

- In 2018, as part of the Consolidated Appropriations Act, 2018 (P.L. 115-141), Congress authorized ED to waive the application of certain CDR requirements during FY2018 and FY2019 for (1) the above-specified IHE and (2) a public IHE or a Tribal College or University (TCU) whose fall enrollment for the most recently completed fiscal year comprised a majority of students who were Indian or Alaska Native and that would have otherwise lost eligibility to participate in the Pell Grant program.⁷⁷
- In 2019, as part of the Further Consolidated Appropriations Act, 2020 (P.L. 116-94), Congress authorized ED to waive the application of certain CDR appeals requirements during FY2020 and FY2021 for a public IHE that offered an associate's degree, was located in an economically distressed county,⁷⁸ was impacted by Hurricane Matthew, and would have otherwise lost eligibility to participate in the Direct Loan program.⁷⁹
- In 2020, as part of the Consolidated Appropriations Act, 2021 (P.L. 116-260), Congress authorized ED to waive the application of certain CDR appeals requirements during FY2021 and FY2022 for a private nonprofit IHE that would have otherwise lost eligibility to participate in the Pell Grant program and (1) was an Alaska Native-Serving Institution and a Native American-Serving Non-Tribal Institution whose fall enrollment for the most recently completed academic year comprised a majority of students who were Indian or Alaska Native and were eligible to receive the maximum Pell Grant award, and (2) with a fall enrollment for the most recently completed academic year that comprised a majority of students who were African American and at least 50% or more received a Pell Grant.⁸⁰
- In 2022, as part of the Consolidated Appropriations Act, 2022 (P.L. 117-103), Congress authorized ED to waive the application of certain CDR appeals requirements during FY2022 and FY2023 for a public IHE that offered an associate's degree, was located in an economically distressed county,⁸¹ was impacted by Hurricane Matthew, and would have otherwise lost eligibility to participate in the Direct Loan program.⁸²

⁷⁶ This waiver specifically applied to Southeast Kentucky Community and Technical College.

⁷⁷ This waiver applied to Southeast Kentucky Community and Technical College and United Tribes Technical College (a TCU), respectively.

⁷⁸ Economically distressed county was defined as “a county with a poverty rate of at least 25% based on the U.S. Census Bureau’s Small Area Income and Poverty Estimate program data for 2017.”

⁷⁹ The waiver specifically applied to Denmark Technical College (an HBCU).

⁸⁰ The waiver specifically applied to Alaska Christian College and Arkansas Baptist College (an HBCU), respectively.

⁸¹ *Economically distressed county* was defined as “a county with a poverty rate of at least 25% based on the U.S. Census Bureau’s Small Area Income and Poverty Estimate program data for 2017.”

⁸² The waiver specifically applied to Denmark Technical College (an HBCU).

Key Elements of Current CDR Design and Procedures

Currently, the HEA and regulations specify a variety of Title IV institutional eligibility requirements and consequences if an IHE's CDR equals or exceeds certain thresholds.⁸³ In short, an IHE is subject to loss of eligibility to participate in the Direct Loan and Pell Grant programs if its CDR is equal to or greater than 30% for each of its three most recent cohort fiscal years⁸⁴ and is subject to loss of eligibility to participate in the Direct Loan program if its CDR is equal to or greater than 40% in its most recent cohort fiscal year.⁸⁵ An IHE with a CDR equal to or greater than 30% but less than 40% for a single cohort fiscal year must establish a default prevention task force to prepare a default prevention plan.⁸⁶ An IHE with a CDR equal to or greater than 30% but less than 40% for two consecutive cohort fiscal years must update its default prevention plan⁸⁷ and ED may make its certification⁸⁸ to participate in the Title IV programs provisional.⁸⁹

An IHE may request an adjustment to the data underlying its CDR or appeal the application of its CDR to the IHE in a given year under circumstances specified in the HEA and regulations in order to avoid potential sanctions. IHEs with lower CDRs (less than or equal to 15%, depending on the circumstances) are eligible for some benefits that may relieve them from fulfilling specified student loan administration requirements.⁹⁰

CDR Formula

To calculate an IHE's CDR, one of two formulas may be used, depending on the number of an IHE's borrowers who enter repayment on specified FFEL and Direct Loan program loans in a given fiscal year. One formula is for IHEs with 30 or more borrowers who enter repayment in a fiscal year, and the other formula is for IHEs with fewer than 30 borrowers who enter repayment in a fiscal year.

Two key terms apply to both formulas:

- **Cohort fiscal year (CFY):** The fiscal year for which an IHE's CDR is calculated and referring to the fiscal year in which a borrower entered repayment on their loan(s) for purposes of the CDR calculation.⁹¹
- **Cohort default period:** The three-year period that begins October 1 of the cohort fiscal year in which a borrower enters repayment (regardless of the actual month

⁸³ HEA Section 430(e) also specifies that ED must annually publish CDRs for FFEL program lenders, holders, and guaranty agencies. Those CDRs are not discussed in this report.

⁸⁴ HEA §§435(a)(2) and 401(j).

⁸⁵ 34 C.F.R. §668.206(a)(1).

⁸⁶ A default prevention plan identifies factors causing an IHE's CDR to exceed the threshold and establishes objectives and steps an IHE will take to improve its CDR; HEA §435(a)(7).

⁸⁷ HEA §435(a)(7).

⁸⁸ Certification refers to ED's determination that an IHE meets Title IV participation requirements; an IHE may not participate in the Title IV programs until ED has certified it for participation. For additional information, see HEA Section 498.

⁸⁹ 34 C.F.R. §668.16(m)(2).

⁹⁰ Separate CDR requirements apply to the Perkins Loan program. Those requirements are not discussed in this report.

⁹¹ For example, when calculating the 2018 CDR, the cohort fiscal year is October 1, 2017-September 30, 2018. A borrower must enter repayment on an applicable loan at any time in this period to be included in the 2018 CDR.

and day on which the borrower enters repayment) on their applicable loan(s) and ends on September 30 of the second succeeding fiscal year.⁹²

For borrowers who have received a qualifying loan for attendance at more than one IHE, the borrower is attributed to each IHE where they obtained a loan. It is possible for a borrower to be included in more than one IHE's CDR calculation in the cohort fiscal year.

IHEs with 30 or More Borrowers Entering Repayment in a Cohort Fiscal Year

For IHEs with 30 or more borrowers who enter repayment in a particular cohort fiscal year, the formula to calculate their CDR can be expressed as follows⁹³:

Specified FFEL and Direct Loan borrowers who entered repayment in a given cohort fiscal year and who defaulted during the cohort default period

divided by

Specified FFEL and Direct Loan borrowers who entered repayment in a given cohort fiscal year⁹⁴

These results are then multiplied by 100 to determine an IHE's CDR. This formula is known as the *non-average rate formula*.⁹⁵

IHEs with Fewer Than 30 Borrowers Entering Repayment in a Cohort Fiscal Year

For IHEs with fewer than 30 borrowers who enter repayment in a particular cohort fiscal year, the formula to calculate their CDR can be expressed as follows⁹⁶:

Specified FFEL and Direct Loan borrowers who entered repayment in a given cohort fiscal year or either of the two preceding fiscal years and who defaulted during the cohort default period for the cohort fiscal year in which they entered repayment

divided by

Specified FFEL and Direct Loan borrowers who entered repayment in a given cohort fiscal year or the two preceding fiscal years⁹⁷

These results are then multiplied by 100 to determine the IHE's CDR. This formula is known as the *average rate formula*.

⁹² For example, a borrower who enters repayment on their loan in May 2018 would be included in the cohort default period spanning October 1, 2017-September 30, 2020.

⁹³ Of the 4,731 IHEs that had CDRs issued for CFY2019, 4,000 (about 85%) had their CDRs calculated according to this formula; U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, FY2019, <https://fsapartners.ed.gov/sites/default/files/2022-09/PEPS300REPORT.xlsx>.

⁹⁴ HEA §435(m)(1)(A).

⁹⁵ In practice, ED truncates the results of an IHE's CDR calculation to the first decimal place.

⁹⁶ Of the 4,731 IHEs that had CDRs issued for CFY2019, 731 (about 15%) had their CDRs calculated according to this formula; U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, FY2019, <https://fsapartners.ed.gov/sites/default/files/2022-09/PEPS300REPORT.xlsx>.

⁹⁷ HEA §435(m)(1)(C).

Formula Elements

Although the non-average rate and average rate formulas vary in terms of the group of borrowers included in each,⁹⁸ they share several common elements, including the types of borrowers considered in each formula, the definition of default, and how borrowers are treated under the formulas in special circumstances.

Types of Borrowers Included in the CDR Calculation

The CDR calculation includes all of an IHE's current and former students who, during the cohort fiscal year (and for purposes of the average rate calculation, the two preceding fiscal years) entered repayment on an FFEL or Direct Loan program Subsidized Loan or Unsubsidized Loan (hereinafter referred to collectively as Subsidized Loans and Unsubsidized Loans, unless otherwise specified) borrowed to attend the IHE.⁹⁹ All other loans types, including FFEL and Direct Loan program PLUS Loans to parents of dependent undergraduate students and PLUS Loans to graduate and professional students, as well as Perkins Loans, are excluded from the calculation.¹⁰⁰ TEACH Grants that were converted into an Unsubsidized Direct Loan are also excluded.¹⁰¹

Borrowers of FFEL and Direct Loan program Consolidation Loans (hereinafter referred to collectively as Consolidation Loans, unless otherwise specified) are included in the CDR calculation if their Consolidation Loan was used to repay a Subsidized Loan or Unsubsidized Loan (even if the Consolidation Loan also repaid some excluded loans) used to attend the IHE. A borrower of a Consolidation Loan that was used solely to repay excluded loans is omitted from the calculation altogether.¹⁰²

Denominator

For the non-average rate formula, the denominator of an IHE's CDR calculation includes the number of borrowers of applicable loan types who entered repayment on their loans in the CFY.¹⁰³ For the average rate formula, the denominator of the CDR calculation includes the number of borrowers of applicable loan types who entered repayment in the current CFY or the two preceding fiscal years.¹⁰⁴

For both formulas, borrowers are included in the denominator based on when their applicable loans entered repayment, as determined under the requirements attached to the type of loan.¹⁰⁵ Subsidized Loans and Unsubsidized Loans generally enter repayment the day after the six-month grace period that begins when a borrower ceases to be enrolled on at least a half-time basis in an

⁹⁸ The average rate formula accounts for an IHE with small numbers of borrowers entering repayment in a cohort fiscal year by essentially pooling borrowers who entered repayment and borrowers who defaulted across multiple years.

⁹⁹ For borrowers who have received a qualifying loan for attendance at more than one IHE, the borrower is attributed to each IHE where they obtained a loan. It is possible for a borrower to be included in more than one IHE's CDR calculation in the same fiscal year. 34 C.F.R. §668.202(b)(2).

¹⁰⁰ HEA §435(m)(1).

¹⁰¹ 34 C.F.R. §668.202(b)(3).

¹⁰² 34 C.F.R. §668.202(b)(3) and (c)(1)(i); and U.S. Department of Education, *Cohort Default Rate Guide: September, 2020*, p. 2.1-9 (hereinafter, "ED, CDR Guide").

¹⁰³ HEA §435(m)(1)(A).

¹⁰⁴ HEA §435(m)(1)(C). For example, for CFY2020, the average rate CDR denominator would include borrowers who entered repayment on their applicable loans in FY2018, FY2019, or FY2020.

¹⁰⁵ 34 C.F.R. §668.201(f).

eligible educational program. For CDR purposes, Consolidation Loans used to repay Subsidized Loans or Unsubsidized Loans are considered to have entered repayment on the date that the underlying Subsidized Loans and Unsubsidized Loans entered (or would have entered) repayment.¹⁰⁶

Several special circumstances may affect whether a borrower is included in an IHE's denominator. For example, if a borrower's loan is discharged due to school closure, false certification, or identity theft, the borrower is excluded from the denominator regardless of whether the discharge occurred prior to or after entry into repayment. On the other hand, if a borrower's loan is discharged due to bankruptcy, death, total and permanent disability, or other types of loan discharge¹⁰⁷ before they entered repayment on their loan or after they enter repayment but before the end of the cohort default period and before they default, then the borrower is included in the denominator for the cohort fiscal year based on the date the loan was discharged.¹⁰⁸

Numerator

For both the non-average rate formula and the average rate formula, a borrower is included in the numerator of the CDR calculation if (1) they were included in the denominator and (2) they defaulted on one or more of their applicable loans—or met other specified conditions (described below)—in the cohort default period (i.e., in the fiscal year in which they entered repayment or in either of the two succeeding fiscal years).¹⁰⁹

Whether a loan is considered to be in default depends, in part, on the type of loan. All Direct Loan program loans and those FFEL program loans held by ED¹¹⁰ are considered to be in default after the borrower has failed to make payments, when due, for 360 days.¹¹¹ FFEL program loans not held by ED are considered to be in default only if a GA has paid a default claim to the lender that holds the loan (after no more than 420 days of borrower delinquency).¹¹²

¹⁰⁶ See, ED, *CDR Guide*, p. 2.1-11. This appears to hold true even in instances in which a borrower obtained a Consolidation Loan during the grace period for the underlying loans. For non-CDR purposes, a Consolidation Loan generally enters repayment on the date it is disbursed. 34 C.F.R. §§682.200 and 685.207(e).

¹⁰⁷ For additional information on these on loan discharges, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

¹⁰⁸ Several other special circumstances may affect whether a borrower is included in the denominator. These special circumstances and their treatment under the CDR calculation are detailed in ED, *CDR Guide*, pp. 2.1-11 through 2.1-14.

¹⁰⁹ 34 C.F.R. §668.202(c). For example, under the non-average rate formula for CFY2020, a borrower would be included in the numerator if they (1) entered repayment in CFY2020 and (2) defaulted on one or more of their applicable loans or met other specified conditions in FY2020, FY2021, or FY2022. Under the average rate formula for CFY2020, a borrower would be included in the numerator if they (1) entered repayment in FY2018, FY2019, or FY2020 and (2) defaulted on one or more of their loans or met other specified conditions in the cohort default period for the fiscal year in which they entered repayment (e.g., borrowers who entered repayment in FY2020 and defaulted or met other specified conditions in FY2020, FY2021, or FY2022).

¹¹⁰ A FFEL program loan may be held by ED in several circumstances, such as after it has been assigned to ED to protect the federal fiscal interest or if it was sold to ED under temporary purchase authority graduated to the department under the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA; P.L. 110-227) and extended under P.L. 110-350. HEA §§428(c)(8) and 459A; 34 C.F.R. §682.409.

¹¹¹ 34 C.F.R. §668.202(c). All Direct Loan program loans are held by ED. FFEL program loans may be held by ED, private lenders, or guaranty agencies.

¹¹² A borrower is considered in default when they have failed to make payments when due on their loans for 270 days for a loan repayable in monthly installments or for 330 days for loans repayable in less frequent installments. When a borrower of an FFEL program loan not held by ED defaults, the loan holder (e.g., the original lender) files a default (continued...)

A borrower is not considered in default, and thus excluded from the numerator, if the loan that defaulted was rehabilitated¹¹³ before the end of the cohort default period.¹¹⁴ On the other hand, a borrower who consolidates out of default or pays their loan in full after defaulting before the end of the cohort default period is considered to have defaulted for CDR purposes, and thus is included in the numerator.¹¹⁵ In addition, a loan on which a payment was made by the IHE (or any entity or individual affiliated with the IHE) in order to avoid borrower default is considered in default, and thus the borrower is included in the numerator.¹¹⁶

CDR Procedures

Statute, regulations, and guidance specify procedures ED follows to notify IHEs of their CDRs and for IHEs to request adjustments to their CDRs or otherwise appeal the application of their CDRs to avoid potential sanctions.

Draft CDRs

A draft CDR is calculated by ED for an IHE to review before it issues an official CDR.¹¹⁷ ED typically transmits draft CDRs, along with the data used to calculate them, to IHEs in February.¹¹⁸ ED calculates each IHE's draft CDR using the non-average rate formula regardless of the number of borrowers who entered repayment in the fiscal year.¹¹⁹

After receiving its draft CDR, an IHE may submit various challenges to it, based either on incorrect data used in the calculation of the draft CDR or on a low rate of participation of its enrolled students in the Direct Loan program (known as a *participation rate index [PRI] challenge*).¹²⁰ The former gives an IHE the opportunity to identify and correct any inaccuracies in the underlying data that may ultimately be used to calculate its *official CDR*. The latter gives IHEs the opportunity to challenge a potential loss of eligibility to participate in the Direct Loan

claim (or insurance claim) with a GA. The GA then pays the claim, which serves as a payment for the holder's losses stemming from the default, and the holder assigns the defaulted loan to the GA. The last day a lender may file a default claim and remain within regulatory filing guidelines is the 360th day of delinquency for a loan with monthly installments and the 420th day of delinquency for a loan with less frequent installments; 34 C.F.R. §§682.200(b) and 682.406; see also, Common Manual Governing Board, *Common Manual: Unified Student Loan Policy 2022 Annual Update*, June 2022, ch. 13, p. 15, <https://commonmanual.org/wp-content/uploads/2022/06/CM2022.pdf>.

¹¹³ Rehabilitation offers borrowers who have defaulted an opportunity to have their loan(s) reinstated as active and to have their borrower benefits and privileges restored. In general, to rehabilitate a loan, a borrower must, within a 10-month period, voluntarily make nine reasonable and affordable monthly payments on their defaulted loan within 20 days of the due date; HEA §§428F(a) and 435(m)(2)(C); 34 C.F.R. §§682.405(a)(2) and 685.211(f).

¹¹⁴ In addition, an FFEL program loan is not considered in default if it was repurchased by a lender because the default claim was submitted or paid in error; 34 C.F.R. §668.202(c)(2)(ii).

¹¹⁵ ED, *CDR Guide*, p. 2.1-12.

¹¹⁶ HEA §435(m)(2)(C). Several other special circumstances may affect whether a borrower is included in the numerator. These special circumstances and their treatment under the CDR calculation are detailed in ED, *CDR Guide*, pp. 2.1-11 through 2.1-14.

¹¹⁷ 34 C.F.R. §668.201(e).

¹¹⁸ ED, *CDR Guide*, p. 2.2-2.

¹¹⁹ 34 C.F.R. §668.204(a)(1).

¹²⁰ HEA § 435(a)(8). In certain instances, an IHE may submit a PRI challenge before it receives its current-year draft CDR. See ED, *CDR Guide*, p. 4.2-7.

and/or Pell Grant programs or potential placement on provisional certification in the Title IV programs¹²¹ upon the issuance of its official CDR.¹²²

Official CDRs

The official CDR is the CDR on which an IHE's eligibility to participate in the Title IV programs is judged. Generally, ED transmits to IHEs and publicly releases official CDRs about six months after the draft CDRs are transmitted to IHEs; official CDRs must be released no later than September 30 of each year.¹²³ As with the draft CDR, ED also transmits the data used to calculate an IHE's official CDRs to each school to enable it to identify and correct any inaccuracies.¹²⁴ ED calculates the official CDR using either the non-average rate or average rate formula, as applicable. An official CDR cannot be calculated for an IHE with fewer than 30 borrowers entering repayment in a cohort fiscal year if the IHE did not also have an official or unofficial¹²⁵ CDR for either or both of the two previous fiscal years.¹²⁶ Thus, such IHEs would not be subject to CDR sanctions, nor would they be eligible for benefits.

IHEs may submit a number of requests for adjustments or appeals¹²⁷ contending that some of the data used to calculate the official CDR should be corrected due to the data being inaccurate, or based on allegations that some of the defaulted loans included in an IHE's CDR were improperly serviced.¹²⁸ If such an adjustment or appeal is successful, the IHE's CDR may be lowered, raised, or left alone.¹²⁹ If an IHE's CDR is lowered, it may avoid associated sanctions or become eligible for certain administrative flexibilities.¹³⁰

IHEs may also submit a variety of appeals contending that they have *exceptional mitigating circumstances* for which they should not be subject to CDR sanctions.¹³¹ For example, an IHE may submit an *economically disadvantaged appeal*, which alleges that it should not be subject to potential loss of Title IV eligibility or potential placement on provisional certification in the Title IV programs because it has a high number of low-income students and meets either specific

¹²¹ Under provisional certification, although ED certifies that an IHE has demonstrated it is capable of meeting Title IV institutional participation standards within a specified timeframe and is able to meet its responsibilities under its program participation agreement (PPA), the IHE must meet "any additional conditions specified in the institution's program participation agreement that the Secretary requires the institution to meet in order for the institution to participate under provisional certification." These additional conditions may include, for example, meeting additional reporting requirements. 34 C.F.R. §668.13(c)(4)(ii).

¹²² For additional information on these challenges, see 34 C.F.R. §§668.204(b) and (c); and ED, *CDR Guide*, pp. 4.1-2 through 4.2-12.

¹²³ ED, *CDR Guide*, p. 2.2-2.

¹²⁴ 34 C.F.R. §668.205(b).

¹²⁵ A CDR is considered unofficial if an IHE does not have three consecutive years' worth of CDR data to calculate the average rate formula; U.S. Department of Education, Office of Federal Student Aid, "Official Cohort Default Rate Search for Schools," <https://nsldsfa.ed.gov/cdr-searchable-database/school/search>, accessed August 8, 2023.

¹²⁶ Such an IHE would have an unofficial CDR calculated using the non-average rate formula and current year data. ED, *CDR Guide*, p. 2.1-5.

¹²⁷ In general, an IHE may submit more than one adjustment or appeal.

¹²⁸ HEA §435(a)(4). An improper loan servicing appeal alleges that a defaulted loan borrower's servicer failed to perform one of several enumerated activities (e.g., failed to send at least one letter urging the borrower to make payments on their loans); see 34 C.F.R. §668.212.

¹²⁹ HEA §435(a)(2)(i). For additional information on these types of adjustments and appeals, see 34 C.F.R. §§668.209-668.212; and ED, *CDR Guide*, pp. 4.3-2 through 4.6-15, and Appendix A Timeline.

¹³⁰ ED, *CDR Guide*, p. 3.1-4.

¹³¹ HEA §§435(a)(2)(A)(ii)-(iii) and 435(a)(5). For additional information on these types of appeals, see 34 C.F.R. §§668.213-668.216; and ED, *CDR Guidance*, pp. 4.7-2 through 4.10-3.

placement or completion rates. Other appeals IHEs may submit include a *PRI appeal* (which is calculated in the same manner and uses the same thresholds as the PRI challenge), an average rates appeal, and a 30-or-fewer borrowers appeal.¹³² If an IHE is successful in one of these types of appeals, it may avoid sanctions associated with its CDR; however, its CDR will not be affected.¹³³ Thus, the CDR in question may affect an IHE's Title IV eligibility in future years.

An IHE's loss of eligibility to participate in the Pell Grant and/or Direct Loan programs does not take effect while its request for an adjustment or appeal is pending, although an IHE may choose to suspend its participation in the Direct Loan program during the pendency of an adjustment or appeal. If an IHE does not suspend its participation in the Direct Loan program during this time but its request(s) for any adjustments or appeals is not successful in qualifying the IHE for continued Title IV eligibility, the IHE is liable for certain costs associated with any Direct Loans it originated and disbursed to its students more than 30 days after it received notice of its official CDR.¹³⁴

Enforcement

A CDR is calculated for each IHE that has a program participation agreement (PPA).¹³⁵ An IHE may have a single PPA covering the main campus and some or all of its branch campuses and locations, or it may have separate PPAs covering the main campus and each branch campus and location that meets Title IV requirements. Thus, an IHE's CDR may represent borrower defaults from one or multiple campuses associated with a single PPA; likewise, an IHE having multiple entities with PPAs may have separate CDRs calculated for each entity associated with a unique PPA.¹³⁶ The CDR requirements apply to both foreign and domestic IHEs that participate in the Title IV student aid programs.¹³⁷

Corrective Actions and Sanctions for High CDRs

Under HEA Section 435 and accompanying regulations, an IHE may be subject to a range of corrective actions and sanctions if its CDR equals or exceeds specified thresholds.¹³⁸ If an IHE's

¹³² In practice, before notifying IHEs of their official CDRs, ED automatically determines whether an IHE qualifies for the average rates appeal or the 30-or-fewer borrowers appeal, as the data necessary for those appeals are generally readily available to ED. ED then notifies an IHE that it is not subject to sanctions due to meeting the appeals' criteria at the same time it notifies the IHE of its official CDR. If an IHE disagrees with ED's determination of whether it qualifies for an average rates or 30-or-fewer borrowers appeal, it may submit such appeals to ED; see ED, *CDR Guide*, pp. 4.9-3; 4.10-2 through 4.10-3.

¹³³ ED, *CDR Guide*, p. 3.1-4.

¹³⁴ Regulations specify that for any FFEL or Direct Loan program loans, ED is to estimate the "amount of interest, special allowance, reinsurance, and any related or similar payments" ED makes or is obligated to make on those loans. In general, the costs specified in the regulations only relate to FFEL program loans; thus, which Direct Loan program costs an IHE may be liable for is unclear. Amounts of Direct Loans disbursed more than 45 days after an IHE submits an appeal to ED are excluded from an IHE's liability; 34 C.F.R. §668.206(e) and (f).

¹³⁵ IHEs that participate in the Title IV student aid programs must have a current PPA. A PPA is a document in which an IHE agrees to comply with the laws, regulations, and policies applicable to the Title IV programs.

¹³⁶ Whether a PPA covers one or more campuses depends on how an IHE is organized, which is a determination made by the IHE. For example, three institutional campuses may be covered by a single PPA, or three related campuses may be covered under three individual PPAs. In the first scenario, the three campuses would have a collective CDR calculated; in the second scenario, each individual campus would have a CDR calculated.

¹³⁷ Foreign IHEs may only participate in the Direct Loan program; HEA §102(a)(1)(C).

¹³⁸ In addition to the enforcement actions discussed herein, HEA Section 102(a)(2)(A)(iii)(IV) provides that foreign nursing schools are to reimburse ED for the cost of any loan defaults for current and former students included in the school's CDR during the previous fiscal year. This provision has never been implemented because no foreign nursing school has ever participated in the Direct Loan program.

CDR is equal to or greater than 30% in a fiscal year, it must establish a *default prevention task force* to identify the factors causing the IHE's CDR to equal or exceed the threshold, establish measurable objectives to improve the IHE's CDR, and specify actions the IHE can take to improve student loan repayment, including counseling about loan repayment. The resulting document is called a *default prevention plan*, which an IHE must submit to ED for review and technical assistance.¹³⁹

If an IHE's CDR is greater than or equal to 30% for two consecutive fiscal years, its certification to participate in the HEA Title IV programs may become provisional (the IHE is not considered administratively capable)¹⁴⁰ and the IHE's default prevention task force must review and revise its default prevention plan and submit the revised plan to ED. ED may require the IHE to amend the plan to include actions that ED determines will promote student loan repayment.¹⁴¹ Per regulations, ED may determine that the IHE is unable to meet its financial responsibility or the administrative obligations necessary to comply with the Title IV requirements if the fact that the IHE's two most recent CDRs exceed the thresholds is "likely to have a material adverse effect on the financial condition of the institution."¹⁴² If ED makes such a determination, the IHE may continue to participate in the Title IV programs under alternative standards, under which the IHE would be required to submit to ED an irrevocable letter of credit (LOC) or other financial protection,¹⁴³ and potentially meet other specified requirements.

If an IHE's CDR is greater than or equal to 30% for three consecutive fiscal years, it loses its eligibility to participate in the Direct Loan and Pell Grant programs for the remainder of the fiscal year in which the determination is made and the two succeeding fiscal years.¹⁴⁴

Per regulations, if an IHE's CDR is greater than or equal to 40% in a single fiscal year, it loses its eligibility to participate in the Direct Loan program for the remainder of the fiscal year in which the determination is made and the two succeeding fiscal years.¹⁴⁵

An IHE may not regain Title IV eligibility following loss due to a high CDR until the above-described years of ineligibility have passed; the IHE has paid ED, or has entered into an agreement to pay ED, for Direct Loan program liabilities accrued during the pendency of an appeal; the IHE submits a new application to participate in the Title IV programs to ED and ED

¹³⁹ 34 C.F.R. Appendix A to Subpart N of Part 688 contains a sample default prevention plan.

¹⁴⁰ 34 C.F.R. §668.16(m)(2).

¹⁴¹ HEA §435(a)(7). See also 34 C.F.R. §668.217.

¹⁴² 34 C.F.R. §668.171(d). The conditions enabling ED to make such determinations are referred to as *discretionary triggers* and include institutional standards other than CDRs that ED may evaluate. In making this determination, ED is to review the IHE's efforts to remedy or mitigate the causes of the condition (e.g., the high CDRs) or to assess the extent to which there are anomalous circumstances leading to the triggering event. The existence of two or more discretionary triggers at an IHE is considered a *mandatory trigger*, for which ED will take immediate action without evaluating whether their existence will have a material adverse effect on the IHE's financial condition. U.S. Department of Education, "Student Assistance General Provisions, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program," 84 *Federal Register* 49788, 49868, September 23, 2019. Effective July 1, 2024, updated ED regulations would recategorize an IHE's CDR being greater than or equal to 30% for two consecutive fiscal years as a *mandatory trigger* rather than a discretionary trigger. U.S. Department of Education, "Financial Responsibility, Administrative Capability, Certification Procedures, Ability to Benefit (ATB)," 88 *Federal Register* 74704, October 31, 2023.

¹⁴³ The precise amount of the LOC or financial protection may vary depending on circumstances. In general, public IHEs would not be required to submit LOCs or financial protection to ED. See 34 C.F.R. §668.175(c) and (f).

¹⁴⁴ HEA §435(a)(2).

¹⁴⁵ 34 C.F.R. §668.206(a)(1) and (g).

determines that the IHE meets all Title IV participation requirements; and the IHE enters into a new Title IV PPA with ED.¹⁴⁶

IHEs with high CDRs that do not equal or exceed the specified thresholds may also be subject to additional oversight. HEA Section 498A(a)(2) requires ED to prioritize program reviews of IHEs with CDRs of greater than or equal to 25% or that place an IHE in the highest 25% of IHEs with CDRs.¹⁴⁷ In addition, ED policy specifies that while IHEs are typically certified to participate in the Title IV programs for up to six years, IHEs with high CDRs but not so high as to equal or exceed the 30% threshold may only be granted certification for two years.¹⁴⁸

Changes in Status and Preventing Evasion of CDR Application

HEA Section 435(m)(3) requires ED to promulgate regulations designed to prevent IHEs from evading the application of CDRs through a variety of tactics including branching, consolidation, change of ownership or control, and other methods. To this end, ED regulations specify how an IHE's CDR is to be determined if it undergoes a change in status. For purposes of these regulations, a change in status occurs when (1) an IHE acquires or merges with another Title IV participating IHE, (2) an IHE acquires a branch campus or location from another Title IV participating IHE, or (3) a branch campus or location of a Title IV participating IHE becomes a separate new IHE.

Depending on the type of change in status, for the CDRs published just prior to the change, the IHE undergoing the change may have another IHE's CDR applied to it. For subsequent years, an IHE undergoing a change in status would have its CDR calculated by including its applicable borrowers and any other IHE party to the change in status.¹⁴⁹

In some circumstances, if an IHE that is already subject to loss of Title IV eligibility as a result of CDRs is a party to a transaction with a Title IV-eligible IHE that results in a change in status or other specified outcomes,¹⁵⁰ the Title IV-eligible IHE would newly be subject to loss of Title IV eligibility. That IHE would have all of the same challenge, adjustment, and appeal options as the IHE that was initially subject to loss of Title IV eligibility.¹⁵¹

Benefits for Low CDRs

The HEA specifies some benefits available to IHEs with low CDRs, which were enacted to incentivize IHEs to maintain low CDRs by exempting them from specified Title IV administrative requirements. An IHE whose most recent official CDR is less than 15% for each of

¹⁴⁶ 34 C.F.R. §668.206(g).

¹⁴⁷ During a program review, ED evaluates an IHE's compliance with the Title IV program requirements and identifies actions the IHE must take to correct any problem(s). If during a program review ED determines that an IHE is unable to meet its financial responsibility or administrative obligations necessary to comply with the Title IV requirements, ED may take corrective actions or impose sanctions.

¹⁴⁸ It is unclear what is considered to be a high CDR for these purposes; U.S. Government Accountability Office (GAO), *Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates*, GAO-18-163, April 26, 2018, p. 11, <https://www.gao.gov/assets/gao-18-163.pdf>.

¹⁴⁹ 34 C.F.R. §668.203. For additional information, see ED, *CDR Guide*, p. 2.5-5. It has been reported that in the proprietary sector, some institutional parent companies with multiple IHEs each with their own PPA may use these rules in their favor specifically to enable them to avoid potential CDR sanctions. See The Institute for College Access and Success, *Comments on Topics for Negotiated Rulemaking*, Docket ED: ED-2015-OPE-0103, September 16, 2015, pp. 15-17, https://ticas.org/wp-content/uploads/legacy-files/pub_files/ticas_dtr_neg_reg_comments.pdf.

¹⁵⁰ These include, for example, a transfer of assets, a change in name, or a contract for services; 34 C.F.R. §668.207(a)(1).

¹⁵¹ 34 C.F.R. §§668.203 and 668.207.

the three most recent fiscal years for which data are available may disburse Direct Loan program loans for a semester, trimester, quarter, or four-month period in a single installment¹⁵² and is not required to delay disbursement of a Direct Loan for 30 days for first-time, first-year undergraduate borrowers.¹⁵³ An IHE whose most recent official CDR is less than 5% and is a home eligible institution¹⁵⁴ that is originating a Direct Loan to cover a student's cost of attendance in a study abroad program may disburse loan proceeds in a single installment to the student, regardless of the length of the student's period of enrollment.¹⁵⁵ Such an IHE is also not required to delay disbursement of a Direct Loan for 30 days for any first-time, first-year undergraduate borrowers who are studying abroad.¹⁵⁶ While IHEs that are undergoing a change in ownership that results in a change in control or a change in status are generally required to implement a default management plan, such IHEs are exempt from this requirement if they do not have a CDR greater than 10% or if the new owner does not own and has not owned another IHE that had a CDR of greater than 10% during the owner's tenure.¹⁵⁷

Disclosure and Reporting Requirements

IHEs are not required to publicly disclose their CDRs. ED, however, is required to publish by September 30 of each year a report showing default data for each institution for which a CDR is calculated.¹⁵⁸ The HEA also requires the Secretary of Education to publicly disclose on its College Navigator website¹⁵⁹ each IHE's CDR.¹⁶⁰

Application of CDRs: IHEs That Have Lost Eligibility to Participate in HEA Title IV Programs Due to High CDRs

The CDR is the primary federal institutional accountability mechanism tied to the performance of federal student loans. One of the assumptions underlying the CDR is that high a CDR may be an indication of an IHE's poor educational quality or poor administrative capability.¹⁶¹ This section explores historical and current institutional performance under the CDR metric. Specifically, it

¹⁵² HEA §428G(a)(3) and (4). Typically, loans for these periods are required to be made in two or more disbursements.

¹⁵³ HEA §428G(b)(1) and (3). Typically, IHEs must delay Direct Loan disbursements to first-time, first-year undergraduate borrowers for 30 days following the beginning of the student's course of study.

¹⁵⁴ A home institution is the school at which a student is enrolled in a degree or certificate program. For study abroad program purposes, students temporarily fulfill part of their program requirements at a foreign school.

¹⁵⁵ A period of enrollment (or loan period) is the period for which a federal student loan is intended; 34 C.F.R. §685.102(b).

¹⁵⁶ HEA §428G(e).

¹⁵⁷ HEA §487(a)(14)(C).

¹⁵⁸ HEA §435(n)(4)(C). For additional information, see U.S. Department of Education, Office of Federal Student Aid, "Official Cohort Default Rates for Schools," <https://fsapartners.ed.gov/knowledge-center/topics/default-management/official-cohort-default-rates-schools>.

¹⁵⁹ Through the College Navigator website, ED makes publicly available a variety of consumer information about IHEs; U.S. Department of Education, National Center for Education Statistics, "College Navigator," <https://nces.ed.gov/collegenavigator/>.

¹⁶⁰ HEA §132(i)(1)(T). HEA Section 435(m)(4) requires ED to publish a report annually showing cohort default data and life of cohort default rates for IHEs by sector (e.g., four-year public institutions, two-year proprietary institutions). For purposes of this publication requirement, the data are to reflect the percentage of borrowers who borrowed Subsidized Loans, Unsubsidized Loans, or PLUS Loans (or Consolidation Loans used to repay such loans) for attendance at an institution who entered repayment in a given fiscal year and defaulted on those loans before the end of each succeeding fiscal year.

¹⁶¹ Currently, HEA Title IV administrative capability requirements focus on an IHE's processes, procedures, and personnel used in administering Title IV funds and indicators of student success. HEA §498(d); 34 C.F.R. §668.16.

explores the national CDR for CFY1987-CFY2020 and institutional CDRs for CFY2015-CFY2017. While institutional CDRs for CFY2018, CFY2019, and CFY2020 are available, they are generally excluded in the analysis presented in this section because they reflect years in which the COVID-19 student loan payment pause was in effect, which made it significantly less likely for most borrowers to default on their student loans. As such, those years' CDRs are lower than they might otherwise have been in the absence of that policy and may not provide sufficient insight into institutional performance under the CDR metric in more typical circumstances.

National CDR

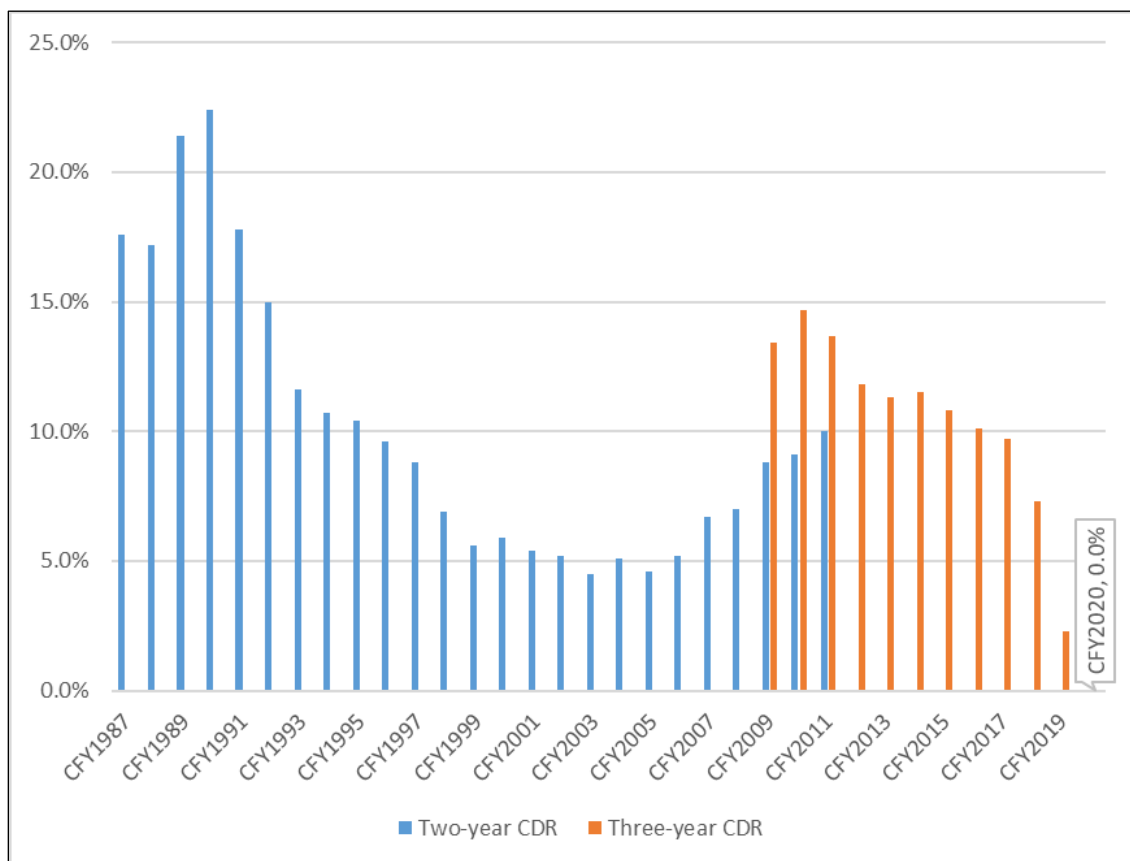
Each year, ED calculates the national CDR, which is a single CDR for all IHEs in a given cohort fiscal year. **Figure 1** presents the national CDR for CFY1987 through CFY2020. For CFY1987-CFY2011, it presents the two-year CDR.¹⁶² For CFY2009-CFY2020, it presents the three-year CDR.¹⁶³ **Figure 1** shows that nationally, two-year CDRs peaked in CFY1990 at 22.4%, and after that declined fairly consistently until reaching a then-low of 4.5% in CFY2003.¹⁶⁴ In the final years of use, two-year CDRs increased somewhat before being replaced with three-year CDRs. Under the three-year CDR measure, the national CDR peaked relatively early (14.7% in FY2010) and has slowly decreased since then to 9.7% in CFY2017. The CFY2018, CFY2019, and CFY2020 CDRs reflect years in which the COVID-19 student loan payment pause was in effect; thus, those years' CDRs are lower than they might otherwise have been in the absence of that policy.

¹⁶² ED sanctioned IHEs for having three consecutive years' worth of two-year CDRs that exceeded the applicable threshold through CFY2010. Requirements for IHEs to meet specified CDR metrics were not in place for CFY1987-CFY1988. For CFY1989-CFY1993, various CDR thresholds were used to determine institutional Title IV program eligibility. For CFY1994-CFY2010, statute specified that an IHE could lose Title IV eligibility if its CDR equaled or exceeded 25% in three consecutive fiscal years. That is, if an IHE's CDR equaled or exceeded 25% for CFY2008, CFY2009, and CFY2010 or any three consecutive cohort fiscal years thereafter, the IHE could lose Title IV eligibility.

¹⁶³ ED calculated three-year CDRs for CFY2009 and CFY2010, but IHEs were not subject to CDR sanctions based on those calculations until CFY2011. For CFY2011 to the present, statute specifies that an IHE may lose Title IV eligibility if its CDR equals or exceeds 30% in three consecutive fiscal years. That is, if an IHE's CDR equaled or exceeded 30% for CFY2009, CFY2010, and CFY2011 or any three consecutive cohort fiscal years thereafter, the IHE may lose Title IV eligibility.

¹⁶⁴ ED has suggested a number of potential reasons for the decrease in the national CDR from CFY1990 to CFY2003, including (1) the loss of Title IV eligibility and subsequent closure of many IHEs with chronically high CDRs in the early 1990s, (2) ED's efforts to provide IHEs with default prevention training, (3) enactment of legislation in 1998 that increased the length of time for a loan to default, and (4) an increase in borrowers consolidating their loans while in school (an option that was eliminated in 2006). U.S. Government Accountability Office (GAO), *Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates*, GAO-18-163, April 26, 2018, p. 11, <https://www.gao.gov/assets/gao-18-163.pdf>.

Figure I. National Cohort Default Rates
CFY 1987-CFY2020



Source: U.S. Department of Education, FY2024 Congressional Budget Justification, “Student Loans Overview,” p. 34; and U.S. Department of Education, Office of Federal Student Aid, “National Default Rate Briefing for FY2020 Official Cohort Default Rules,” electronic announcement (LOANS-23-10), September 29, 2023.

Notes: The two-year CDR was used to determine institutional Title IV eligibility for CFY1989-CFY2010; for CFY2011-CFY2020, the three-year CDR was used to determine institutional Title IV eligibility.

Recent Institutional CDRs

Of the 5,278 domestic IHEs that participated in the HEA Title IV programs in academic year (AY) 2020-2021,¹⁶⁵ 4,397 had official CDRs issued for CFY2017¹⁶⁶ and 881 IHEs did not, either because (1) they had fewer than 30 borrowers entering repayment in CFY2017¹⁶⁷ and did not also

¹⁶⁵ IHEs participating in the Title IV programs in AY2020-2021 (July 1, 2020-June 30, 2021) comprise the universe of IHEs most closely aligned with the time the CFY2017 CDRs were issued (September 2020). This figure excludes IHEs that newly became eligible to participate in the Title IV programs during the data collection year and those that stopped participating in the Title IV programs during the data collection year. U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System.

¹⁶⁶ For CFY2017, 344 foreign IHEs were issued CDRs. Foreign IHEs were excluded from this analysis because they do not report to the National Center for Education Statistics’ Integrated Postsecondary Education Data System, which was used to aggregate data for this analysis. U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, press package for FY2017, <https://fsapartners.ed.gov/sites/default/files/2021-09/FY2017PressPackage.xlsx>.

¹⁶⁷ While institutional CDRs for CFY2018, CFY2019, and CFY2020 are available, they are excluded from this analysis (continued...)

have an official or unofficial CDR for either or both of the two previous fiscal years (125 IHEs)¹⁶⁸ or (2) they did not have data necessary to calculate a CDR for the given cohort fiscal year (756 IHEs).¹⁶⁹ These latter IHEs, therefore, were not subject to sanctions for high CDRs and did not receive benefits for low CDRs (e.g., exemption from specified Title IV administrative requirements). As such, it is estimated that approximately 16% of domestic IHEs participating in the Title IV programs in AY2020-2021 were not subject to CDR requirements at that time. Those IHEs that were not subject to CDR requirements accounted for approximately 3% of total student enrollment at domestic Title IV participating IHEs in AY2020-2021.¹⁷⁰ Thus, while a sizeable share of Title IV participating IHEs may not be subject to CDR requirements in a given year, the CDR metrics capture IHEs enrolling the majority of postsecondary students.

IHEs Subject to CDR Sanctions and Appeal Outcomes

Early in the use of CDRs as an institutional accountability metric, high numbers of IHEs were subject to CDR sanctions. Over time, this number has fallen substantially. For example, GAO reported that from 1992 to 1999, 1,846 IHEs were subject to immediate loss of eligibility, suspension, or termination from the Title IV programs due to high CDRs. From 2000 to 2008, four IHEs were subject to such sanctions.¹⁷¹ The latter trend continues in more recent periods.

Table 1 depicts the number of IHEs that had official CDRs calculated in CFY2015, CFY2016, or CFY2017, and of those, the number of IHEs (1) with their most recent CDR equaling 40% or greater in a single cohort fiscal year, (2) with three consecutive years' worth of CDRs equaling 30% or greater, (3) subject to CDR sanctions¹⁷² due to meeting the aforementioned thresholds, and (4) ultimately referred for Title IV sanctions (i.e., loss of Direct Loan and/or Pell Grant program eligibility).¹⁷³ The table illustrates that, all told, a small portion (about 0.04%) of IHEs with official CDRs were subject to Title IV sanctions in any given year examined.¹⁷⁴ This appears to be largely driven by the fact that few IHEs (0.30%-0.60%) met one of the aforementioned CDR thresholds. For those IHEs that did meet one of the thresholds, a relatively small percentage

because they reflect years in which the COVID-19 student loan payment pause was in effect, which made it significantly less likely for most borrowers to default on their student loans. As such, those years' CDRs are lower than they might otherwise have been in the absence of that policy and may not provide sufficient insight into institutional performance under the CDR metric in more typical circumstances.

¹⁶⁸ Special tabulation of data provided to CRS by the U.S. Department of Education, July 13, 2022. Such an IHE would have an unofficial CDR calculated using the non-average rate and current-year data; ED, *CDR Guide*, p. 2.1-5.

¹⁶⁹ The latter may occur, for example, if an IHE does not or has not participated in the Title IV student loan programs.

¹⁷⁰ Calculations by CRS using U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System.

¹⁷¹ U.S. Government Accountability Office (GAO), *Proprietary Schools: Stronger Department of Education Oversight Needed to Help Ensure Only Eligible Students Receive Federal Student Aid*, GAO-09-600, August 2009, p. 11, <https://www.gao.gov/assets/gao-09-600.pdf>.

¹⁷² An IHE is subject to sanctions when it meets one of the above-described thresholds and ED does not administratively determine that it meets criteria for an average rate appeal or a 30-or-fewer borrowers appeal.

¹⁷³ An IHE is referred for sanctions if it does not successfully appeal the application of any potential sanctions to it or the data underlying the CDR are not adjusted to bring the IHE's CDR(s) within the threshold. In some instances, although ED may determine that an IHE should be sanctioned for failure to meet CDR requirements, the IHE may close or voluntarily withdraw from participating in the Title IV programs before the ED sanction is effectuated.

¹⁷⁴ GAO previously issued a report that presented data on IHEs subject to CDR sanctions and appeals outcomes. The data in that report differ from those presented here, as GAO presented data based on the fiscal year in which IHEs were subject to a sanction (i.e., the year in which official CDRs were released), whereas the data presented in this report are based on the cohort fiscal year for which the CDR measure was calculated. See U.S. Government Accountability Office (GAO), *Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates*, GAO-18-163, April 26, 2018, p. 30, <https://www.gao.gov/assets/gao-18-163.pdf>.

(7%-10%) were ultimately referred for Title IV sanctions due to the availability of a number of adjustments and appeals.¹⁷⁵

Table I. IHEs Subject to CDR Sanctions and Those Referred for Sanctions
CFY2015, CFY2016, and CFY2017

CFY	IHEs with Official CDRs	IHEs Meeting or Exceeding CDR Thresholds				Unique IHEs	IHEs Subject to CDR Sanctions	IHEs Referred for Sanctions
		Official CDR ≥ 40%	Official CDR ≥ 30% for Three Consecutive CFYs	Official CDR ≥ 40% and Official CDR ≥ 30% for Three Consecutive CFYs	Official CDR ≥ 30% for Three Consecutive CFYs			
CFY2015	4,873	9	13	3	19	12	2	
CFY2016	4,811	19	17	7	29	14	2	
CFY2017	4,796	19	23	13	29	12	2	

Source: U.S. Department of Education, Official Cohort Default Rates for Schools, press packages for FY2017, FY2016, and FY2015; and special tabulation of data provided to CRS by the U.S. Department of Education, July 13, 2022.

Possible Explanations for Why CDRs Are No Longer Screening Out Many IHEs

In addition to explicit rules for calculating CDRs, a variety of other factors might help explain why CDRs are no longer screening out as many IHEs from Title IV participation compared to previous years. These factors relate to how IHEs have responded to the existence of the CDR and student loan repayment flexibilities provided to borrowers to help address difficulties they may face in repaying their loans.

Institutional Responses to the CDR

The CDR was initially devised as an institutional accountability metric intended to address high incidence of default in the federal student loan programs. At the time of its creation and throughout its history, one assumption underlying the CDR was that if an IHE was of sufficient quality, it would provide students with the skills to enable them to stay out of default on their loans. To that end, many poorly performing (i.e., high borrower default) IHEs were eliminated from HEA Title IV participation early on in the CDR’s usage.¹⁷⁶ It is possible that as a result of this culling, high numbers of poorly performing institutions were removed and are no longer in operation and/or no longer participate in the HEA Title IV programs.

The CDR may also be performing a preventative role in that it may be encouraging IHEs to avoid unwanted behavior in the first place. The fact that few IHEs have faced sanctions in recent years could be viewed as evidence of the CDR’s effectiveness in this respect, assuming that in the metric’s absence some IHEs might have higher default rates.

¹⁷⁵ In more recent years, Congress has taken action to waive the application of specific appeals requirements to enable some IHEs that would have otherwise been sanctioned due to high CDRs. See **Appendix B**.

¹⁷⁶ U.S. Government Accountability Office (GAO), *Proprietary Schools: Stronger Department of Education Oversight Needed to Help Ensure Only Eligible Students Receive Federal Student Aid*, GAO-09-600, August 2009, p. 11, <https://www.gao.gov/assets/gao-09-600.pdf>.

Relatedly, IHEs may have become more adept at navigating CDR requirements and may have adopted practices to help ensure their compliance with the CDR. Some of these practices may be viewed as positive for borrowers, while others may be viewed as negative. For example, borrower-positive strategies have included creating programs to educate borrowers about student loans and to improve financial literacy, updating student aid packaging practices to minimize student loan borrowing, and providing more robust student support services to help increase student retention and thus decrease the potential for default.¹⁷⁷ On the other hand, some stakeholders¹⁷⁸ have alleged, and at least one government report has found, that some IHEs engage in practices to encourage borrowers to use forbearance options specifically to aid the IHEs in meeting their CDR requirements, regardless of whether forbearance is the most beneficial option to the borrower¹⁷⁹ (see the “Deferment and Forbearance” section).

Student Loan Repayment Flexibilities

Although the CDR framework has evolved over the years to address some issues or changes in the federal student aid landscape, it has not evolved to account for other developments, most notably the expansion of student loan repayment flexibilities that may help address difficulties borrowers might face in repaying their loans and aid them in avoiding default.

Income-Driven Repayment Plans

Since the inception of the HEA student loan programs, borrowers have had the opportunity to repay their loans according to a standard repayment plan under which they make fixed monthly payments for a maximum of 10 years. Congress and ED have occasionally authorized or created additional loan repayment plan options, often in response to perceived issues borrowers were facing in repaying their student loans. For example, in the late 1980s as part of a series of steps to address the high incidents of default, HEA amendments authorized borrowers to make payments according to a graduated repayment plan or an income-sensitive repayment plan. Each of these plans enabled borrowers to potentially make at least some payments in amounts lower than what they would have made under a standard repayment plan with a maximum 10-year repayment term.

Today, federal student loan borrowers may choose from among numerous loan repayment plans, including several *income-driven repayment (IDR) plans*.¹⁸⁰ Under these plans, borrowers make monthly payments in amounts that are capped at a specified share (e.g., 5%, 10%, 15%, or 20%

¹⁷⁷ Erin Dillon and Robin V. Smiles, *Lowering Student Loan Default Rates: What One Consortium of Historically Black Institutions Did to Succeed*, Education Sector, February 2010.

¹⁷⁸ See, for example, Pauline Abernathy, Lauren Asher, and Diane Cheng et al., *Aligning the Means and the Ends: How to Improve Federal Student Aid and Increase College Access and Success*, The Institute for College Access and Success, February 2013, pp. 23-24.

¹⁷⁹ U.S. Government Accountability Office (GAO), *Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates*, GAO-18-163, April 26, 2018, pp. 14-26.

¹⁸⁰ The IDR plans that are currently available to borrowers are the Income-Contingent Repayment (ICR) plan, the Income-Based Repayment (IBR) plan (one version of which is available to individuals who qualify as a new borrower on or after July 1, 2014, and another that is available to individuals who do not qualify as a new borrower as of that date), the Pay As You Earn (PAYE) repayment plan, and the Revised Pay As You Earn (REPAYE) repayment plan. On July 10, 2023, ED published a Final Rule that amends REPAYE plan provisions and refers to the updated plan as the Saving on a Valuable Education (SAVE) plan. Some elements of the SAVE plan were effective July 30, 2023, while others are to be effective July 1, 2024. In addition, effective July 1, 2024, new enrollment in the PAYE plan would be prohibited; new enrollment in the IBR plan would be limited to borrowers who have a partial financial hardship and have not made more than 60 qualifying payments on the SAVE plan after July 1, 2024; and new enrollment in the ICR plan would be limited to borrowers of Direct Consolidation Loans made on or after July 1, 2006, that repaid a Parent PLUS Loan.

depending on the plan) of their discretionary income,¹⁸¹ and it is possible for a borrower's monthly payment to equal \$0.¹⁸² After making payments for a specified period of time (e.g., 10, 20, or 25 years, depending on the plan), a borrower's remaining loan balance is forgiven. One type of IDR plan, the Income-Contingent Repayment plan, has been available to borrowers since 1994, but beginning in 2007 several other more generous types of IDR plans have been made available via congressional and administrative action. Most recently, ED published a Final Rule that amends one type of IDR plan, the Revised Pay As You Earn (REPAYE) repayment plan. (The Final Rule also refers to the amended plan as the Saving on a Valuable Education [SAVE] plan.) The changes are intended to, among other purposes, help "more borrowers avert delinquency and default"¹⁸³ by lowering all qualifying borrowers' monthly payments and decreasing the maximum repayment period required for loan forgiveness in some cases. The amended regulations would also automatically enroll certain borrowers in an IDR plan after 75 days of nonpayment on their loan(s).

In recent years, borrower enrollment in these plans has grown markedly. For example, about 10% of Direct Loan program recipients were enrolled in an IDR plan as of June 30, 2013, compared to 32% of such recipients as of June 30, 2023.¹⁸⁴

Research conducted by CBO indicates that borrowers enrolled in an IDR plan default on their loans at lower rates than borrowers enrolled in other repayment plans.¹⁸⁵ Additionally, ED's recent regulatory changes may make it less likely for some borrowers to default on their loans.¹⁸⁶ For example, under the changes, some borrowers may be placed into an IDR plan after 75 days of nonpayment, well before the 360 days of nonpayment after which a borrower is considered in default on their loans. Thus, as borrower enrollment in IDR plans increases, institutional CDRs may be likely to decrease.

While at least one type of IDR plan has been available to borrowers since the early use of CDRs as an institutional accountability metric, the recent expansion of and increased borrower take-up of IDR plans may have a bearing on whether the CDR is viewed as a sufficient institutional accountability metric moving forward. Some stakeholders have pointed out that enrollment in an IDR plan is considered a "good outcome" under the CDR metrics, in that borrowers have not defaulted on their loans, even if the borrowers might otherwise struggle to pay down their loans (e.g., based on their monthly income, they make low monthly payments, sometimes equal to

¹⁸¹ *Discretionary income* is defined as the portion of a borrower's adjusted gross income that is in excess of a specified multiple of the federal poverty guidelines applicable to the borrower's family size.

¹⁸² For additional information on IDR plans, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

¹⁸³ U.S. Department of Education, "Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program," 88 *Federal Register* 43820, July 10, 2023.

¹⁸⁴ In general, all of a borrower's Direct Loan program loans must be repaid together according to the same repayment plan. However, if a borrower seeking to repay according to one of the IDR plans has some types of loans that may be repaid according to an IDR plan and others that may not, the borrower may repay the eligible loans according to an IDR plan and the ineligible loans according to a non-IDR plan; 34 C.F.R. §685.208(a)(4). ED data do not provide unduplicated headcounts of borrowers by repayment plan; thus, some borrowers may be counted more than once in this calculation; CRS analysis of U.S. Department of Education, Office of Federal Student Aid, Student Aid Data Center, "Portfolio by Repayment Plan (DL, ED-Held FFEL, ED-Owned)," <https://studentaid.gov/data-center/student/portfolio>.

¹⁸⁵ See, for example, Congressional Budget Office (CBO), *Income-Driven Repayment Plans for Student Loans: Budgetary Costs and Policy Options*, February 2020, https://www.cbo.gov/publication/56277#_idTextAnchor025.

¹⁸⁶ For additional discussion of how ED's recent regulatory changes may affect CDRs, see U.S. Department of Education, "Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program," 88 *Federal Register* 43862, 43876, July 10, 2023.

\$0).¹⁸⁷ That said, if the intent of the CDR is to gauge institutional quality based on borrowers' ability to repay their loans, the increasingly prevalent use of IDR plans may lessen the measure's effectiveness.¹⁸⁸

Deferment and Forbearance

Deferment and forbearance provide borrowers with temporary relief from the obligation to make monthly payments that would otherwise be due on their loans, and they have been available in some form to borrowers throughout the federal student loan programs' history.¹⁸⁹ Currently, deferment or forbearance may be available to borrowers in a variety of circumstances such as while a borrower is experiencing economic hardship or temporary hardship, is unemployed or employed less than full-time while seeking full-time employment, or is engaged in specified types of service (e.g., AmeriCorps, military). Unless an interest subsidy applies to a borrower's loans,¹⁹⁰ interest continues to accrue during periods of deferment and forbearance; thus, during these periods, a borrower's loan balance may increase.

Borrowers in deferment or forbearance are considered current on their loans for purposes of calculating an IHE's CDR. That is, borrowers in deferment or forbearance at the time an IHE's CDR is calculated would be included in the denominator of the CDR but not the numerator. Even if a borrower is not in deferment or forbearance at the time an IHE's CDR is calculated, a borrower's use of these options prior to the calculation date may push a subsequent default outside of the cohort default period. These uses of deferment or forbearance would result in a decrease in an IHE's CDR for a given cohort fiscal year.

As with IDR plans, the availability of deferment and forbearance options to borrowers may dilute the utility of the CDR as an institutional accountability metric. As previously described, in 2003 when a two-year cohort default period was still in use, ED's OIG asserted that CDRs did not provide decisionmakers with sufficient information on Title IV student loan defaults. Among other findings, OIG found that borrowers in deferment or forbearance materially lowered IHEs' CDRs, but rates of default increased in the year immediately following the two-year cohort default period.¹⁹¹ These findings indicated that while borrowers were able to remain out of default for a short period of time after entering repayment, they had less success in staying out of default in the longer term. HEA amendments subsequently updated the two-year cohort default period to a three-year cohort default period, which would presumably weaken the effects of deferment and forbearance on CDRs, as the three-year timeframe would capture a longer period of borrower repayment activity.

¹⁸⁷ See, for example, Michael Itzkowitz, *Why the Cohort Default Rate is Insufficient*, Third Way, November 7, 2017, <https://www.thirdway.org/report/why-the-cohort-default-rate-is-insufficient>.

¹⁸⁸ Owen Daugherty, *Your Thoughts: Cohort Default Rates Don't Tell the Whole Story*, National Association of Student Financial Aid Administrators, December 19, 2020, https://www.nasfaa.org/news-item/23635/Your_Thoughts_Cohort_Default_Rates_Don_t_Tell_the_Whole_Story.

¹⁸⁹ For additional information on deferment and forbearance, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

¹⁹⁰ Typically, an interest subsidy applies to a borrower's Subsidized Loans (or the portion of a borrower's Consolidation Loan used to repay a Subsidized Loan) during periods of deferment. In addition, for a period of up to 60 months, an interest subsidy applies to a borrower's Subsidized Loans, Unsubsidized Loans, PLUS Loans, and Consolidation Loans (to the extent the underlying loans were first disbursed on or after October 1, 2008) disbursed on or after October 1, 2008, while the borrower is serving on active duty in the Armed Forces or is performing qualifying National Guard duty in an area of hostilities during a war or national emergency.

¹⁹¹ U.S. Department of Education, Office of Inspector General, *Audit to Determine if Cohort Default Rates Provide Sufficient Information on Defaults in the Title IV Loan Programs*, ED-OIG/A03-C0017, December 22, 2003, pp. 9

Since the HEA amendments that updated the two-year cohort default period to a three-year cohort default period, some stakeholders¹⁹² have alleged, and at least one government report has found, that some IHEs engage in practices to encourage borrowers to use forbearance options specifically to aid the IHEs in meeting their CDR requirements, regardless of whether forbearance is the most beneficial option to the borrower. In 2018, GAO found that some IHEs and their default-management consultants¹⁹³ encouraged borrowers with delinquent loans to postpone future payments through forbearance, even though the use of forbearance may increase a borrower's total loan costs and may not be as beneficial to borrowers as other options such as enrollment in certain repayment plans.¹⁹⁴

Similar to the IDR plans, while a borrower's use of deferment or forbearance may be considered a positive outcome under the CDR metrics in that borrowers have not defaulted on their loans, their treatment under the CDR metrics does not necessarily reflect the potential that borrowers using these options may otherwise be struggling to make payments on their loans. This issue may be exacerbated by institutional practices to encourage borrowers to use deferment and forbearance in pursuit of lower CDRs.

COVID-19 Related Flexibilities

In response to the COVID-19 pandemic, Congress and ED have taken a number of steps to provide relief and repayment flexibilities to federal student loan borrowers.¹⁹⁵ Some of these have had a material impact on CDRs while others may have a potentially smaller effect on them.

Payment Pause

From March 2020 to October 2023, most federal student loans¹⁹⁶ were in a special administrative forbearance (commonly referred to as a *payment pause*) to help address potential negative financial effects of the COVID-19 pandemic on borrowers. During this time, most borrowers were not required to make payments on their loans. ED announced that following the end of the payment pause,¹⁹⁷ a 12-month "on-ramp" to repayment would be available for borrowers. Under this policy, from October 1, 2023, to September 30, 2024, borrowers who miss monthly payments will not be considered delinquent on their loans and will not be placed into default.¹⁹⁸ As with the deferment and forbearance periods described above, during the payment pause borrowers were

¹⁹² See, for example, Pauline Abernathy, Lauren Asher, and Diane Cheng et al., *Aligning the Means and the Ends: How to Improve Federal Student Aid and Increase College Access and Success*, The Institute for College Access and Success, February 2013, pp. 23-24.

¹⁹³ Some IHEs hire third-party default management consultants to help manage their default rates. IHEs may also work directly with their student borrowers to prevent them from defaulting on their loans.

¹⁹⁴ U.S. Government Accountability Office (GAO), *Federal Student Loans: Actions Needed to Improve Oversight of Schools' Default Rates*, GAO-18-163, April 26, 2018, pp. 14-26.

¹⁹⁵ For information on this relief and repayment flexibilities, including options not discussed in this report, see CRS Report R46314, *Federal Student Loan Debt Relief in the Context of COVID-19*.

¹⁹⁶ These include all federal student loans held by ED, including all Direct Loan program loans.

¹⁹⁷ See the Fiscal Responsibility Act of 2023 (P.L. 118-5) and ED, Office of Federal Student Aid, "COVID-19 Loan Payment Pause and 0% Interest," <https://studentaid.gov/announcements-events/covid-19/payment-pause-zero-interest> (accessed June 22, 2023). For additional information on the payment pause and the policy, see CRS Report R46314, *Federal Student Loan Debt Relief in the Context of COVID-19*.

¹⁹⁸ U.S. Department of Education, "FACT SHEET: President Biden Announces New Actions to Provide Debt Relief and Support for Student Loan Borrowers," press release, June 30, 2023, <https://www.ed.gov/news/press-releases/fact-sheet-president-biden-announces-new-actions-provide-debt-relief-and-support-student-loan-borrowers>.

considered current on their loans and could not default. It appears the same would be true during the on-ramp period.

The effects of these policies are currently being realized. For example, the CFY2020 CDR was 0.0% and ED has stated that the institutional CDRs for CFY2020 “were significantly impacted by the pause on federal student loan payments.” **Table 2** presents the national CDR for CFY2017-CFY2020. It shows that in CFY2017, the cohort fiscal year just prior to the COVID-19 payment pause being implemented, the national CDR was 9.7%. As the COVID-19 payment pause progressed and more months of a cohort default period encompassed the payment pause, the national CDR decreased, eventually to 0.0% in CFY2020.

Table 2. National Cohort Default Rates
CFY2017-CFY2020

CFY2017	CFY2018	CFY2019	CFY2020
9.7%	7.3%	2.3%	0.0%

Source: U.S. Department of Education, Office of Federal Student Aid, “National Default Rate Briefing for FY 2020 Official Cohort Default Rules,” electronic announcement (LOANS-23-10), September 29, 2023, <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-09-29/national-default-rate-briefing-fy-2020-official-cohort-default-rates>.

Notes: The CFY2017 CDR did not encompass any period during which the COVID-19 payment pause was in effect, the CFY2018 CDR encompassed approximately six months during which the COVID-19 payment pause was in effect, the CFY2019 CDR encompassed approximately 1.5 years during which the COVID-19 payment pause was in effect, and the CFY2020 CDR encompassed approximately 2.5 years during which the COVID-19 payment pause was in effect.

Assuming that borrowers effectively will be unable to be considered delinquent on their loans until October 1, 2024, and they would be unable to default on their loans until at least late September 2025, institutional CDRs would be impacted through CFY2024 (released by ED in September 2027). Moreover, the payment pause and on-ramp policy would presumably impact IHEs’ ability to experience certain CDR penalties or benefits through the September 2029 CDR determinations (i.e., the final cycle in which CFY2024 CDRs will be used to determine CDR sanctions and benefits).

Loan Rehabilitation

If a borrower rehabilitates their loan prior to the end of the cohort default period, the borrower is excluded from the numerator of an IHE’s CDR. In general, to rehabilitate a loan a borrower must, within a 10-month period, voluntarily make nine reasonable and affordable monthly payments on their defaulted loan within 20 days of the due date.¹⁹⁹ Monthly payments suspended under the COVID-19 payment pause count toward the nine monthly payments required to rehabilitate a loan, so long as those paused payments occurred after a borrower entered into a rehabilitation agreement with ED.²⁰⁰ This flexibility may enable some defaulted borrowers who would not have otherwise rehabilitated their loan before the end of the cohort default period to do so; thus, they would be excluded from the numerator of an IHE’s CDR. This flexibility is likely to impact CDRs to a significantly lesser degree than the payment pause.²⁰¹

¹⁹⁹ HEA §§428F(a) and 435(m)(2)(C); 34 C.F.R. §§682.405(a)(2) and 685.211(f).

²⁰⁰ U.S. Department of Education, Office of Federal Student Aid, “COVID-19 Relief: Loans in Default,” <https://studentaid.gov/announcements-events/covid-19/default> (accessed November 3, 2022).

²⁰¹ In spring 2021, in response to the COVID-19 pandemic, ED announced the transfer of some GA-held FFEL (continued...)

Loan Cancellation

On June 30, 2023, the Biden Administration announced that it intends to undergo the rulemaking process to provide “debt relief to as many working and middle-class borrowers as possible.”²⁰² The scope of the policy has not yet been fully defined²⁰³; however, were it to broadly cancel at least some student loan debt, it could have the potential to reduce the number of defaults that would otherwise occur. This, in turn, could have the potential to make some IHEs’ CDRs lower than they would be in the absence of the policy. Some IHEs that might have otherwise failed to meet CDR thresholds may satisfy them, and some IHEs that would not have otherwise been eligible for benefits associated with low CDRs may become eligible.

CDR Distribution Within and Across Institutional Sectors

A primary criticism of the CDR rules, as currently constructed and applied, is that IHEs rarely fail the CDR metrics, and when they do, they are rarely sanctioned for it (see **Table 1**).²⁰⁴ These outcomes have led some to question whether the current CDR framework is a sufficient institutional accountability metric.²⁰⁵

This section of the report examines more closely institutional performance under the current CDR methodology, with a focus on performance within and across institutional sectors. In doing so, CRS analyzes general institutional performance trends under the current CDR methodology but does not suggest any particular performance threshold for consideration. CRS explores a single year’s worth of CDRs (as opposed to examining institutional performance over three consecutive

program loans that had defaulted on or after March 13, 2020, to ED and the placement of such loans in good standing. Such borrowers with active rehabilitation agreements could then have monthly payments suspended under the COVID-19 payment pause count toward the nine monthly payments required to rehabilitate a loan. This action could potentially result in some borrowers in a given cohort fiscal year rehabilitating their loans within the applicable cohort default period and, thus, being excluded from an IHE’s CDR numerator. ED has stated the impact of such borrowers on institutional CDRs “should be virtually undetectable,” as the proportion of Direct Loan borrowers who entered repayment during the relevant cohort fiscal years is much higher.

Also in response to the COVID-19 pandemic, in April 2022 ED announced its Fresh Start initiative, under which certain eligible borrowers who defaulted on their loans prior to March 20, 2020, are to be given the opportunity to bring their loans out of default using streamlined procedures. The cohort fiscal years and cohort default periods that could be affected by borrowers participating in this initiative lapsed prior to ED announcing the initiative. Thus, borrowers’ participation in the Fresh Start initiative would not have an effect on CDRs.

CRS email communication with ED, November 16, 2022.

²⁰² U.S. Department of Education, “FACT SHEET: President Biden Announces New Actions to Provide Debt Relief and Support for Student Loan Borrowers,” press release, June 30, 2023, <https://www.ed.gov/news/press-releases/fact-sheet-president-biden-announces-new-actions-provide-debt-relief-and-support-student-loan-borrowers>.

²⁰³ This announcement was made in response to the Supreme Court’s June 30, 2023, ruling precluding the Administration from implementing a previously announced broad-based student loan debt relief policy that would have made available to millions of qualifying borrowers up to \$10,000 or \$20,000 of loan cancellation benefits per borrower. For additional information on the policy, see CRS Insight IN11997, *The Biden Administration’s One-Time Student Loan Debt Relief Policy under the HEROES Act of 2003*.

²⁰⁴ See, for example, Senate Committee on Health, Education, Labor & Pensions, Chairman Lamar Alexander, “Risk-Sharing/Skin-in-the-Game Concepts and Proposals,” March 23, 2015, https://www.help.senate.gov/imo/media/Risk_Sharing.pdf.

²⁰⁵ See, for example, U.S. Congress, House Committee on Education and the Workforce, *Promoting Real Opportunity, Success, and Prosperity through Education Reform Act*, report to accompany H.R. 4508, 115th Cong., 2nd sess., February 8, 2018, H.Rept. 115-550 (Washington, DC: GPO, 2018), p. 205; and Third Way, *Why the Cohort Default Rate is Insufficient*, November 7, 2017, <https://www.thirdway.org/report/why-the-cohort-default-rate-is-insufficient>.

years, commensurate with some aspects of the current CDR framework) because many current CDR benefits and sanctions are based on a single year's worth of CDRs, and for simplicity. In exploring institutional performance, the percentage of undergraduate students who received a Pell Grant for enrollment²⁰⁶ at an IHE²⁰⁷ and status as an HBCU are also considered because they have been of interest to stakeholders when considering institutional performance under the CDR framework.²⁰⁸

In total, CRS examined institutional characteristics of 4,373 IHEs. This universe of schools included all domestic IHEs with official CDRs for CFY2017 and institutional characteristics data reported to ED's Integrated Postsecondary Education Data System (IPEDS) for the relevant year. For measures of the percentage of an IHE's enrolled undergraduates who received a Pell Grant, CRS excluded those schools that reported zero individuals enrolled as undergraduate students for the relevant year. For a full description of CRS's methodology for this analysis, see **Appendix B**.

Institutional Performance

Overall, few IHEs (about 1%) had CDRs that equaled or exceeded 30% for CFY2017; these IHEs enrolled an even smaller percentage (0.1%) of all students (see **Table A-1**). About 3% of IHEs had CDRs approaching the threshold, that is—equal to or greater than 25% but less than 30%—and likewise these IHEs enrolled a small percentage (0.6%) of all students. Private for-profit less-than-two-year IHEs made up the majority of IHEs with CDRs that equaled or exceeded 30% (60% of all such IHEs) and of IHEs with CDRs that approached that threshold (54% of all such IHEs).

Figure 2 depicts the distribution of IHEs based on CFY2017 CDRs in one percentage point increments, by sector; the median CDR across all IHEs is represented by the red vertical line. The median CDR across all IHEs with official CDRs issued in CFY2017 was 9.0%.

In general, private nonprofit four-year, public four-year, and private nonprofit two-year IHEs tended to have CDRs at or below the median across all IHEs (**Figure 2**). Collectively, they enrolled 46% (about 12 million) of all students (**Table A-1**).²⁰⁹ Public two-year institutions generally had CDRs greater than the median across all IHEs and enrolled 27% of all students; although, the large majority of public two-year IHEs with CDRs above the median had CDRs of greater than 9% but less than 20%—well below statutory thresholds. Private for-profit (proprietary) four-year IHEs were somewhat evenly dispersed between IHEs with CDRs that were at or below the median across all IHEs and CDRs that were greater than the median, but student enrollment was concentrated at IHEs with CDRs above the median.²¹⁰

²⁰⁶ Pell Grant receipt is often used as a proxy measure for low-income students.

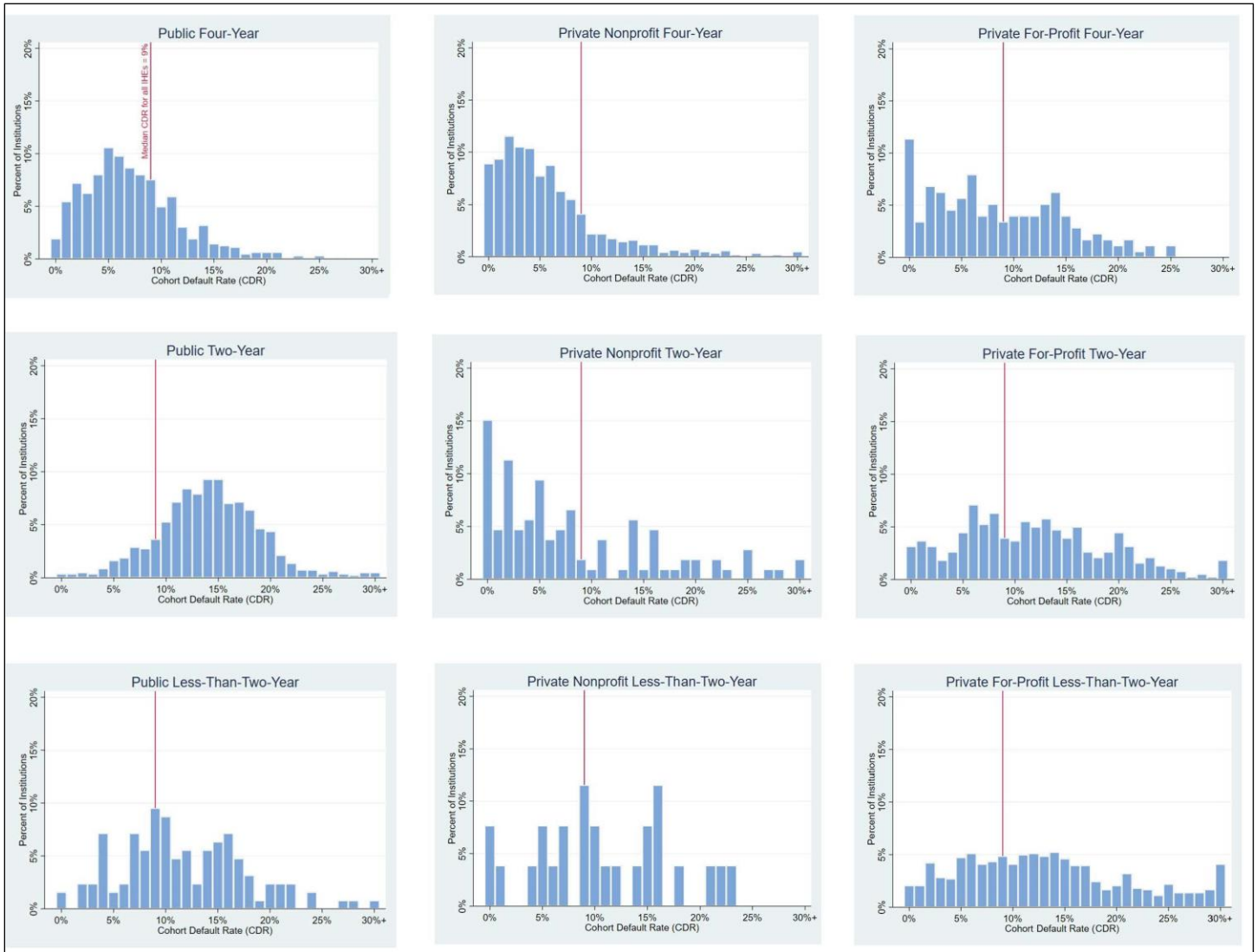
²⁰⁷ As described earlier in this report, an IHE undergoing a change in status (e.g., an IHE merges with or acquires another IHE) may have another school's CDR applied to it in a given year. Thus, it is possible that for a limited number of IHEs examined here, the characteristics of the borrowers captured in the IHE's CDR may not be reflective of the IHE's student body composition as reported in the Integrated Postsecondary Education Data System (IPEDS)—one of the data sources used by CRS in this analysis.

²⁰⁸ HBCUs tend to enroll higher proportions of economically disadvantaged and first-generation students than non-HBCUs. See, for example, Katherine M. Saunders, Krystal L. Williams, and Cheryl L. Smith, *Fewer Resources, More Debt: Loan Debt Burdens Students at Historically Black Colleges and Universities*, p. 9, UNCF, Washington, DC, 2016.

²⁰⁹ Private nonprofit four-year and public four-year institutions enrolled the vast majority (99.8%) of these students.

²¹⁰ Specifically, 70% of all students enrolled at proprietary four-year institutions were enrolled at such IHEs with CDRs above the median.

Figure 2. Distribution of IHEs Within Institutional Sectors by CFY2017 CDRs, Examined in Relation to Median CDR for all IHEs



Source: CRS analysis of U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, press package for FY2017, <https://fsapartners.ed.gov/sites/default/files/2021-09/FY2017PressPackage.xlsx>; and U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System.

Notes: CFY2017 = cohort fiscal year 2017. The red vertical line represents the median CDR across all IHEs that had an official CDR for CFY2017, which equals 9%.

When considering the percentage of undergraduate students who received a Pell Grant, overall those IHEs with CDRs of 25% or higher had average rates of Pell Grant receipt that were noticeably higher than that of all IHEs (see **Table A-1**).²¹¹ However, there were certain sectors where this trend did not hold: results were mixed regarding whether IHEs with CDRs of 25% or higher within specific institutional sectors had higher-than- or lower-than-average rates of Pell Grant receipt within the relevant sector (see **Table A-1**).

²¹¹ For measures of the percentage of an IHE’s enrolled undergraduates who received a Pell Grant, CRS excluded those schools that reported zero individuals enrolled as undergraduate students for the relevant year.

HBCUs were more likely than non-HBCUs to have CDRs approaching or exceeding 30%. While HBCUs represent a small portion (2%)²¹² of all IHEs examined in this report, they accounted for 11% of all IHEs meeting the 30% threshold and 9% of all IHEs with CDRs equal to or greater than 25% but less than 30%.²¹³ Combined, these HBCUs enrolled 10% (about 30,000) of all students enrolled at HBCUs but 0.1% of students enrolled at all IHEs (Table A-1).

Measures That Could Possibly Be Incorporated Into a CDR-Style Accountability Metric: Student Borrower Rates (SBRs) and Student Loan Dollar Default Rates (SLDDRs)

The current CDR methodology may indicate the extent to which individuals who borrow certain federal loans to attend an institution could have difficulties avoiding default in the first years following their entry into repayment. However, it might not fully reflect the relative risk attending a certain IHE could pose to prospective students, as it does not consider the extent to which students who attend a particular IHE borrow.²¹⁴ The relatively few borrowers who have difficulty remaining out of default within three years of entering repayment may not be broadly reflective of prospective applicants to a school. Factoring share of students borrowing could also be helpful in gauging the federal government's fiscal risk.

Incorporating a measure of the percentage of undergraduate and graduate students who borrowed federal student loans to attend an IHE in a given academic year (the SBR), into a CDR-style accountability metric may alleviate some of these issues. From the federal government's perspective, incorporation of the SBR could help it assess whether certain schools with high student loan default rates pose a meaningful risk to it in terms of overall Title IV fiscal and program integrity. From an IHE's perspective, incorporation of the SBR could serve as recognition that IHEs may pose varying levels of risk to students based on the extent to which their student populations borrow. From a student's or prospective student's perspective, incorporation of the SBR may serve as a consumer information tool, helping them assess how

²¹² In AY2015-2016, there were 101 HBCUs. Those HBCUs not examined in this report are those that did not have official CDRs issued for CFY2017.

²¹³ CRS also examined IHEs by their status as a Tribal College or University (TCU). Only three IHEs in the universe of institutions examined in this report were such schools, as many TCUs either had fewer than 30 borrowers entering repayment in CFY2017 and did not also have an official or unofficial CDR for either or both of the two previous fiscal years or because they did not have data necessary to calculate a CDR for CFR2017 (e.g., they do not participate in the student loan programs). Their CDRs were 4%, 22%, and 38%.

²¹⁴ Current CDR rules recognize this potential dynamic to some extent with the availability of the participation rate index (PRI) challenge and PRI appeal for IHEs with low rates of student loan borrowing among enrolled students (34 C.F.R. §§669.204(c) & 668.214). While the availability of the PRI challenge and PRI appeal may alleviate some concerns regarding the utility of the CDR measure with respect to the relative risk an IHE poses to all of its enrolled students and the federal government as a lender, criticisms have been raised that it is "opaque, complex, and too limited," as it only applies to those IHEs that choose to use it, it allows IHEs to submit enrollment data for a timeframe that may be most beneficial to them, and data on IHEs that successfully submit PRI challenges and appeals are not readily available for current and prospective students to evaluate. Lindsay Ahlman, Debbie Cochrane, and Jessica Thompson, *A New Approach to College Accountability: Balancing Sanctions and Rewards to Improve Student Outcomes*, The Institute for College Access & Success, working paper, December 2016, p. 6, https://ticas.org/files/pub_files/ticas_risk_sharing_working_paper.pdf.

likely it is to be necessary to borrow to attend a particular IHE and, if so, how likely it may be for them to default on those loans.

Additionally, the current CDR provides only a blunt measure of an IHE's financial risk to the federal government as the holder of defaulted loans. For instance, under the current CDR methodology, each default counts the same, regardless of whether the defaulted loan amount is high or low. For stakeholders (e.g., taxpayers) interested in federal financial outcomes, a measure that takes into account each default by dollar amount (the SLDDR) would provide more information about the financial risk presented by borrowers at each IHE. It may also provide additional information to borrowers and prospective borrowers about the relative financial risk, in terms of the overall amount of student loan debt owed by defaulted borrowers, of borrowing for enrollment at a particular school.

An Initial Look at How SBRs and SLDDRs Align with CDRs Within and Across Sectors

CDRs and Student Borrower Rates

To examine the relationship between IHEs' CDRs and the rate at which IHEs' students borrow federal student loans, CRS constructed a student borrower rate.²¹⁵ The SBR is the percentage of graduate and undergraduate students who borrowed a Direct Loan to attend an IHE in a given academic year.²¹⁶ CRS then divided IHEs into four categories (quadrants) based on their relative performance under the CFY2017 CDR and the frequency of borrowing as measured by an AY2015-2016 SBR across all IHEs. The AY2015-2016 SBR represents the percentage of an IHE's enrolled students who borrowed a Direct Loan for enrollment in AY2015-2016, the final year in which a student loan borrower captured by the CFY2017 CDR would have been enrolled. The four categories are the following:

1. **High CDR/High SBR:** These are IHEs with CDRs that exceeded the median CDR of all IHEs (9.0%) and SBRs that exceeded the median SBR of all IHEs (46.4%).
2. **High CDR/Low SBR:** These are IHEs with CDRs that exceeded the median CDR of all IHEs and SBRs that were equal to or less than the median SBR of all IHEs.
3. **Low CDR/Low SBR:** These are IHEs with CDRs that were equal to or less than the median CDR of all IHEs and SBRs that were equal to or less than the median SBR of all IHEs.
4. **Low CDR/High SBR:** These are IHEs with CDRs that were equal to or less than the median CDR of all IHEs and SBRs that exceeded the median SBR of all IHEs.

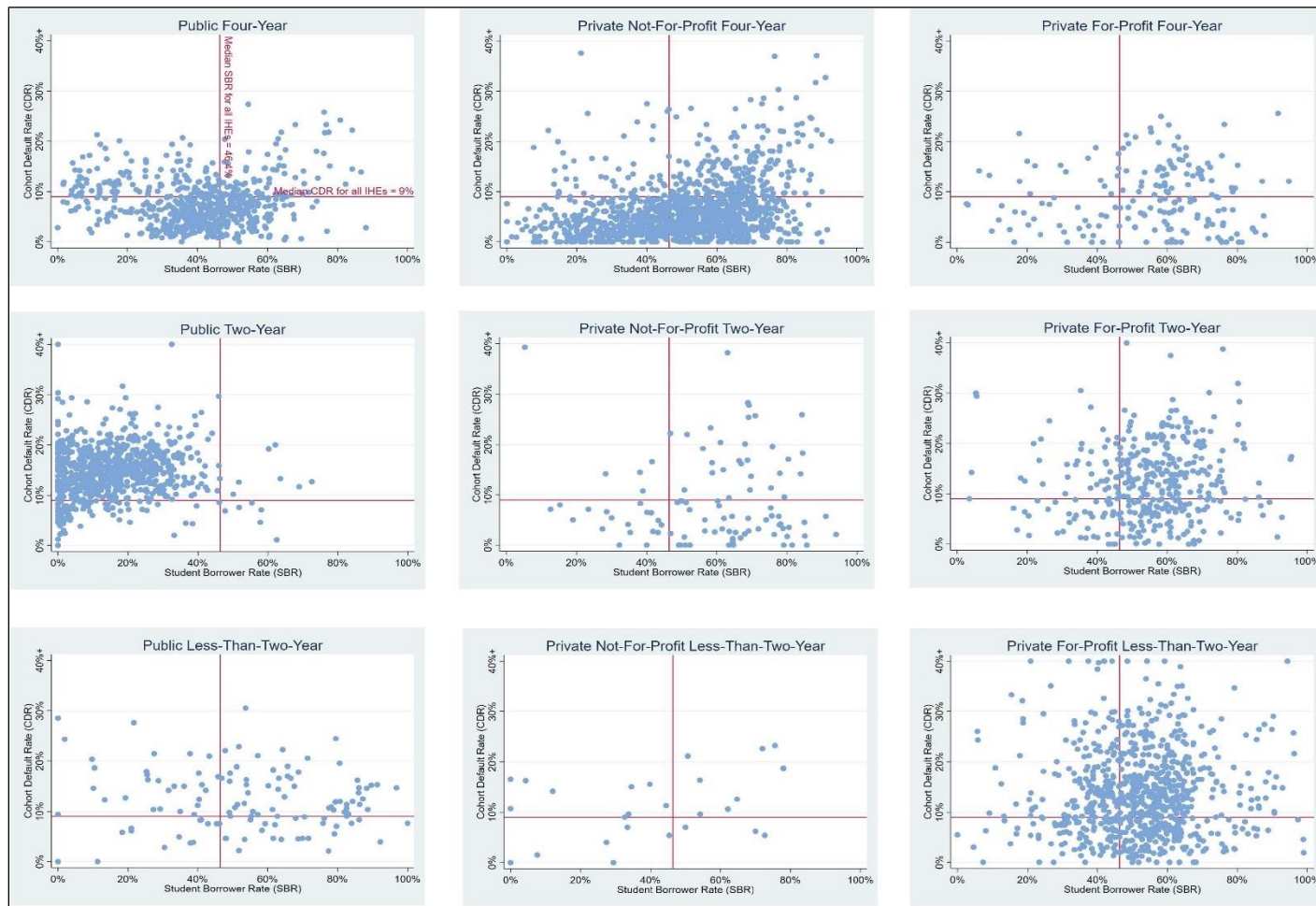
²¹⁵ For a description of CRS's methodology for this analysis, see **Appendix B**.

²¹⁶ This differs from the PRI challenge and appeal methodologies in a few ways. First, it uses a standardized time frame for measuring student enrollment rather than one selected by the IHE. Second, under the PRI methodologies student enrollment includes the number of students enrolled at least half-time. Under the SBR, student enrollment includes the total number of students enrolled regardless of their enrollment status (i.e., it includes students enrolled at least half-time and less-than-half-time). This may be an important distinction, as students are ineligible to borrow Direct Loan program loans if they are enrolled less-than-half-time. IPEDS (the data source CRS used to determine student enrollment) does not disaggregate student enrollment based on half-time and less-than-half-time status. For additional information on the methodology CRS used to construct this measure, see **Appendix B**.

Figure 3 depicts institutional performance under the above schema by sector.²¹⁷ Each dot in each graph represents a single IHE. For each graph within the figure, the upper right quadrant depicts IHEs that are High CDR/High SBR; the upper left quadrant depicts High CDR/Low SBR IHEs; the lower left quadrant depicts Low CDR/Low SBRs IHEs; and the lower right quadrant depicts Low CDR/High SBR IHEs.

Figure 3. Distribution of IHEs by CFY2017 Cohort Default Rates and AY2015-2016 Student Borrower Rate

By Sector



Source: CRS analysis of U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, press package for FY2017, <https://fsapartners.ed.gov/sites/default/files/2021-09/FY2017PressPackage.xlsx>; U.S. Department of Education, National Center for Education Statistics, Integrated

²¹⁷ At least one other organization has completed an analysis to adjust IHEs' CDRs by the percentage of enrolled students who borrowed. A key way in which their analysis differs from that presented here is that it did not account for enrolled graduate students. In addition, the organization's analysis multiplied CDRs by the percentage of an IHE's enrolled students who borrowed to create a new metric. Doing so may have certain advantages, but does not map institutional performance under the CDR against the student borrower rate. See Lindsay Ahlman, Debbie Cochrane, and Jessica Thompson, *A New Approach to College Accountability: Balancing Sanctions and Rewards to Improve Student Outcomes*, The Institute for College Access & Success, working paper, December 2016, p. 6, https://ticas.org/files/pub_files/ticas_risk_sharing_working_paper.pdf.

Postsecondary Education Data System; and special tabulation of data provided to CRS by the U.S. Department of Education, July 13, 2022.

Notes: The student borrower rate (SBR) is the percentage of graduate and undergraduate students who borrowed a Direct Loan program loan to attend an IHE in academic year AY2015-2016. The red vertical line in each graph represents the median AY2015-2016 SBR for all IHEs: 46.4%. The red horizontal line in each graph represents the median CDR across all IHEs that had an official CDR for CFY2017: 9.0%. IHEs with CDRs that exceeded 40% (12 IHEs) were assigned a CDR value of 40%. For privacy purposes, CRS omitted from this figure 56 IHEs with borrower counts in AY2015-2016 that were equal to or greater than one but less than ten. The majority of these IHEs (39%) were private nonprofit four-year institutions, with private for-profit less-than-two-year institutions (21%), public two-year institutions (14%), and private nonprofit two-year institutions (13%) following. The remaining sectors each made up less than 10% of all such IHEs. The mean CDR for these IHEs was 8.5% (6.7% median), and their mean SBR was 9.8% (4.2% median).

Institutional Performance

Overall, IHEs were somewhat evenly dispersed across the quadrants, although numbers of students enrolled and borrowers associated with such schools were not (see **Table A-2**). The smallest percentage of students (8%) and borrowers (15%) enrolled in High CDR/High SBR institutions, while the largest percentage of borrowers (35%) and second largest percentage of students (37%) enrolled in Low CDR/Low SBR institutions.

IHEs that are High CDR/High SBR may be of the most interest in evaluating institutional performance, as such IHEs presumably pose the highest risk (in terms of potential for loan default) for students relative to the other three categories. Private for-profit two-year, private for-profit less-than-two-year, and public less-than-two-year institutions had the highest rates of High CDR/High SBR IHEs—50% (190 institutions), 46% (359 institutions), and 43% (54 institutions), respectively (**Figure 3**). Together, IHEs in these sectors occupying these quadrants accounted for about 2% of all enrolled students and 3% of all borrowers (**Table A-2**).

Of note, a high proportion of public two-year institutions (87%) were High CDR/Low SBR, reflecting the fact that not many students who enrolled at these institutions borrowed but when they did, they were more likely to default on their loans within three years of entering repayment (**Figure 3**).

IHEs that were High CDR/High SBR and enrolled undergraduate students in AY2015-2016²¹⁸ had a higher average rate of Pell Grant receipt compared to IHEs in the other quadrants (**Table A-1**). The average rate of Pell Grant receipt across High CDR/High SBR IHEs equaled 58%, while the average rate of Pell Grant receipt across IHEs in other categories ranged from 30% to 37%.

HBCUs were more likely than non-HBCUs to be High CDR/High SBR: about 83% of HBCUs were High CDR/High SBR, while 23% of all IHEs were High CDR/High SBR (**Table A-2**).²¹⁹

CDRs and Student Loan Dollar Default Rates

To examine the relationship between IHEs' CDRs and the amount of student loan dollars owed on loans borrowed to attend an IHE by defaulting borrowers relative to the total amount of student loan dollars borrowed to attend an IHE by all of an IHE's borrowers, CRS constructed a student

²¹⁸ In total, 1,308 IHEs were High CDR/High SBR. Of those, 931 (about 90%) enrolled undergraduate students in AY2015-2016.

²¹⁹ CRS also examined IHEs by their status as a TCU. Only three IHEs in the universe of institutions examined in this report were such schools, as many TCUs either had fewer than 30 borrowers entering repayment in CFY2017 and did not also have an official or unofficial CDR for either or both of the two previous fiscal years or because they did not have data necessary to calculate a CDR for CFR2017 (e.g., they do not participate in the student loan programs). Of those three TCUs, two were High CDR/Low SBR and one was Low CDR/Low SBR.

loan dollar default rate (SLDDR).²²⁰ The SLDDR is the outstanding principal and interest balance three years after entering repayment for all CDR-relevant loans²²¹ of borrowers included in an IHE's CDR numerator²²² (i.e., borrowers who defaulted within three years of entering repayment in a given year) divided by the outstanding principal and interest balance at the time of entry into repayment for all CDR-relevant loans of borrowers included in an IHE's CDR denominator²²³ (i.e., all borrowers who entered repayment in a given year), multiplied by 100, and truncated to the tenth decimal place.²²⁴ CRS then divided IHEs into four categories (quadrants) based on their relative performance under the CFY2017 CDR and CFY2017 SLDDR across all IHEs. The CFY2017 SLDDR represents the amount of outstanding principal and interest balances owed three years after entering repayment by all of an IHE's borrowers who entered repayment in FY2017 and defaulted by the end of FY2019 relative to the outstanding principal and interest balance at the time of entry into repayment for all of an IHE's borrowers who entered repayment in FY2017. The four categories are the following:

1. **High CDR/High SLDDR:** These are IHEs with CDRs that exceeded the median CDR of all IHEs (9.0%) and SLDDRs that exceeded the median SLDDR of all IHEs (2.1%).
2. **High CDR/Low SLDDR:** These are IHEs with CDRs that exceeded the median CDR of all IHEs and SLDDRs that were equal to or less than the median SLDDR of all IHEs.
3. **Low CDR/Low SLDDR:** These are IHEs with CDRs that were equal to or less than the median CDR of all IHEs and SLDDRs that were equal to or less than the median SLDDR of all IHEs.
4. **Low CDR/High SLDDR:** These are IHEs with CDRs that were equal to or less than the median CDR of all IHEs and SLDDRs that exceeded the median SLDDR of all IHEs.

Figure 4 depicts institutional performance under the above schema by sector. Each dot in each graph represents a single IHE. For each graph within the figure, the upper right quadrant depicts IHEs that were High CDR/High SLDDR; the upper left quadrant depicts High CDR/Low SLDDR IHEs; the lower left quadrant depicts Low CDR/Low SLDDR IHEs; and the lower right quadrant depicts Low CDR/High SLDDR IHEs.

²²⁰ For a description of CRS's methodology for these analyses, see **Appendix B**.

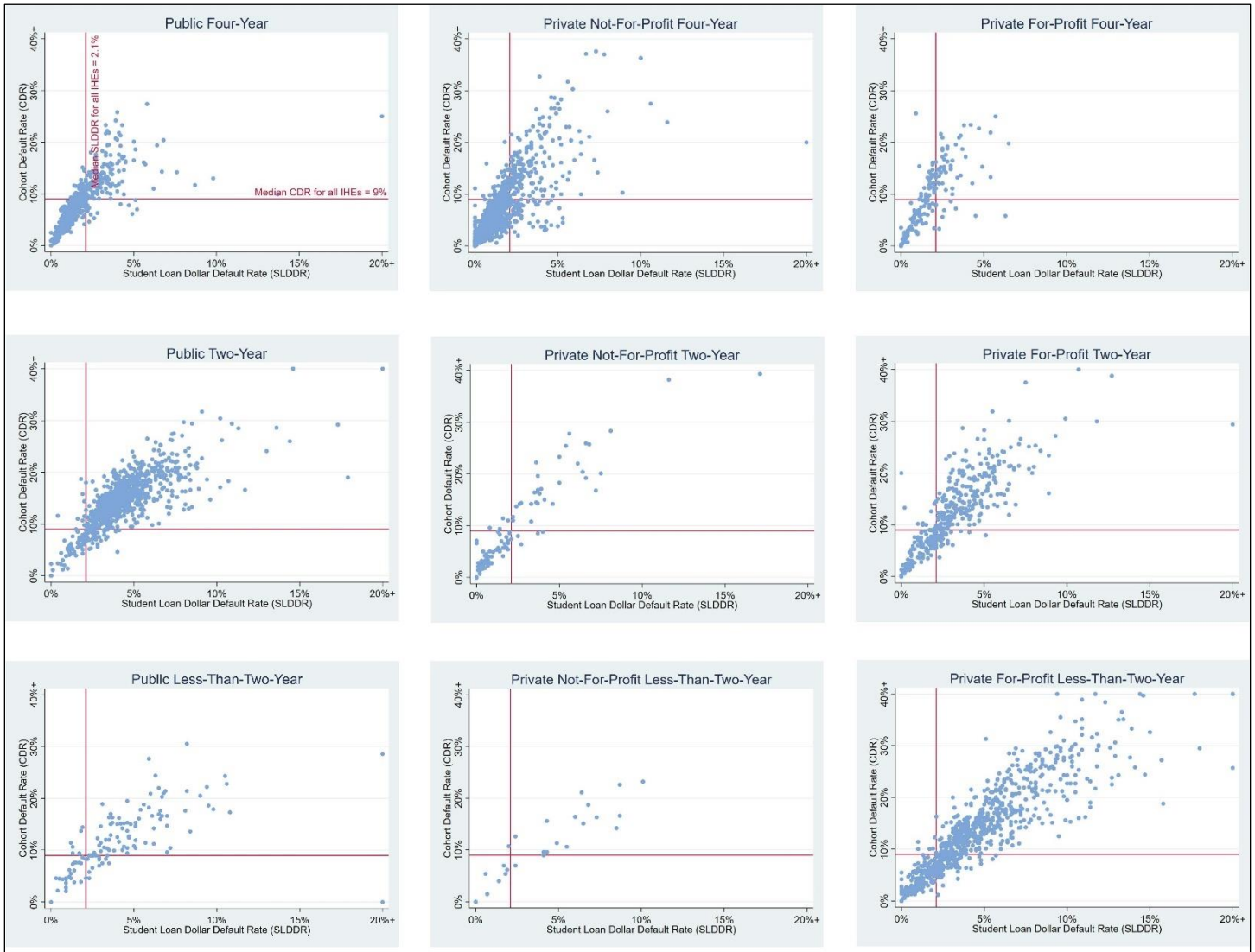
²²¹ CDR-relevant loans are those loans that are considered in determining whether a borrower is included in an IHE's CDR calculation: FFEL program or Direct Loan program Subsidized Loans or Unsubsidized Loans borrowed to attend the IHE.

²²² Principal balance is the sum of borrowers' principal balances, and interest balance is the sum of borrowers' outstanding interest that accrued on their loans since they entered repayment. Both principal and interest balances are special tabulations provided to CRS by ED and are as of the date ED calculated such balances for CDR purposes, which was August 8, 2020, for CFY2017.

²²³ Principal balance is the sum of all borrowers' principal balances, and interest balance is the sum of all borrowers' outstanding interest that accrued on their loans since they entered repayment. Both principal and interest balances are special tabulations provided to CRS by ED and are as of the date that balances were recorded in ED's loan history tables in its National Student Loan Data System and closest to the date on which a borrower's loans entered repayment.

²²⁴ This could be considered as a somewhat parallel construction to the current CDR methodology, except that it uses student loan dollars as the unit of analysis rather than borrowers. However, it is possible that not all loans included in the SLDDR numerator are in default, as loan dollar amounts were included in the numerator based on whether the borrower defaulted on any relevant loan, not on whether the borrower defaulted on a particular loan. For example, if a borrower defaulted on one loan with a balance of \$10,000 but did not default on a second loan with a balance of \$5,000, both loans (totaling \$15,000) would be included in the numerator.

**Figure 4. CFY2017 Cohort Default Rates and FY2017 Student Loan Dollar Default Rates
By Sector**



Source: CRS analysis of U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, press package for FY2017, <https://fsapartners.ed.gov/sites/default/files/2021-09/FY2017PressPackage.xlsx>; U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System; and special tabulation of data provided to CRS by the U.S. Department of Education, July 13, 2022.

Notes: The FY2017 student loan dollar default rate (SLDDR) is the outstanding principal and interest balance three years after entering repayment for all CDR-relevant loans of borrowers who entered repayment on their loans in FY2017 and defaulted on any of those loans within three years divided by the outstanding principal and interest balance at the time of entry into repayment for all CDR-relevant loans of all borrowers who entered repayment in FY2017, and multiplied by 100.

CDR-relevant loans are those loans that were considered in determining whether a borrower is included in the IHE's CDR calculation and include FFEL program or Direct Loan program Subsidized Loans or Unsubsidized Loans borrowed to attend the IHE. The red vertical line in each graph represents the median FY2017 SLDDR for all IHEs: 2.1%. The red horizontal line in each graph represents the median CDR across all IHEs that had an official CDR for CFY2017: 9.0%. IHEs with CDRs that exceeded 40% (12 IHEs) were assigned a value of 40%. IHEs with SLDDRs that exceeded 20% (14) were assigned a value of 20%. For privacy purposes, CRS omitted

from this figure 56 IHEs with borrower counts in AY2015-2016 that were equal to or greater than one but less than ten. The majority of these IHEs (39%) were private nonprofit four-year institutions, with private for-profit less-than-two-year institutions (21%), public two-year institutions (14%), and private nonprofit two-year institutions (13%) following. The remaining sectors each made up less than 10% of all such IHEs. The mean CDR for these IHEs was 8.5% (6.7% median), and their mean SLDDR was 4.0% (1.9% median).

Institutional Performance

Overall, institutional CDRs and SLDDRs tend to align somewhat closely, as indicated by the relatively linear distribution of IHEs within each graph.²²⁵ That is, IHEs with high CDRs generally have relatively high SLDDRs, and IHEs with low CDRs generally have low SLDDRs. Overall, IHEs most often sort into either the Low CDR/Low SLDDR grouping (45% of all IHEs) or the High CDR/High SLDDR (44% of IHEs) grouping. While Low CDR/Low SLDDR IHEs accounted for the majority of student loan dollars borrowed (68%, \$51 billion) and High CDR/High SLDDR IHEs accounted for a relatively low percentage of student loan dollars borrowed (18%, \$14 billion) across all IHEs, both types of IHEs accounted for fairly similar percentages of student loan dollars owed by defaulted borrowers (40%, \$478 million and 44%, \$531 million, respectively). Additionally, all IHEs' CDRs were greater than their SLDDRs. This is an indication that on average, defaulted borrowers owed lower amounts of federal student loan debt than the average amount borrowed by all students attending a certain IHE.²²⁶

IHEs that are High CDR/High SLDDR may be of most interest in evaluating institutional performance, as such IHEs presumably pose the highest risk for the federal government as a lender relative to IHEs in the other three quadrants. Public two-year IHEs had the highest rate of High CDR/High SLDDR institutions (87%). High CDR/High SLDDR public two-year IHEs accounted for 8% (about \$6 billion) of student loans borrowed across all IHEs but 22% (\$259 million) of student loan dollars owed by all defaulters across all IHEs—the highest share of student loan dollars owed by defaulters across all IHEs, regardless of quadrant (**Figure 4** and **Table A-3**, respectively).

Overall, IHEs that were High CDR/High SLDDR had higher average rates of Pell Grant receipt compared to IHEs in the other quadrants (**Table A-3**). Low CDR/Low SLDDR IHEs had lower averages rates of Pell Grant receipt than all IHEs.

HBCUs were more likely to be High CDR/High SLDDR institutions than non-HBCUs: about 72% of HBCUs were High CDR/High SLDDR, while about 44% of all IHEs were High CDR/High SLDDR (**Table A-3**).²²⁷

²²⁵ This is likely due to the fact that the SLDDR has a similar construction to the CDR in terms of time periods, loan types, and cohorts of borrowers covered by the relevant calculations.

²²⁶ Across sectors and quadrants, CRS also examined the average outstanding principal and interest balances for all borrowers contained in the CDR denominator and for defaulted borrowers in the CDR numerator, both at time of entry into repayment and at the end of CFY2017. In general, the analysis revealed few trends in institutional performance across sectors and quadrants. However, the analysis did reveal that for all sectors and quadrants, loan balances at both entry into repayment and at the end of CFY2017 for defaulted borrowers were considerably lower than those of all borrowers. This analysis excluded consideration of PLUS Loans to graduate students and to parents of dependent undergraduate students.

²²⁷ CRS also examined IHEs by their status as a TCU. Only three IHEs in the universe of institutions examined in this report were such schools, as many TCUs either had fewer than 30 borrowers entering repayment in CFY2017 and did not also have an official or unofficial CDR for either or both of the two previous fiscal years or because they did not have data necessary to calculate a CDR for CFR2017 (e.g., they did not participate in the student loan programs). Of those three TCUs, two were High CDR/High SLDDR and one was Low CDR/Low SLDDR.

Policy Considerations

The CDR was initially devised as an institutional accountability metric intended to help address high incidence of default in the federal student loan program. At the time of its creation and throughout its history, one assumption underlying the CDR was that if an IHE was of sufficient quality, it would provide students with the skills to enable them to stay out of default on their loans. Although the CDR framework has evolved over the years to address some issues or changes in the federal student aid landscape (e.g., the transition from a two-year to three-year CDR to account for borrower use of deferment and forbearance options), it has not evolved to account for other developments, such as the wide availability and use of IDR plans. The framework's fixed nature in more recent years might lead to questions about whether the CDR as it currently stands may be viewed as a sufficient institutional accountability metric. Congress might explore making adjustments to or eliminating altogether the CDR framework to address issues with its perceived utility or changes in the federal student loan programs.

Adjusting the CDR Thresholds

A primary criticism of the CDR rules as they are currently constructed and applied is that IHEs rarely fail the CDR metrics, and when they do, they are rarely sanctioned for it.²²⁸ As a first step to addressing this concern, the conceptual aim of the current CDR framework may need clarification. If the aim of the framework is similar to its original intent—to weed out relatively poorly performing (i.e., high borrower loan default) schools from Title IV programs—then the CDR framework may be viewed as ineffective, as few IHEs face sanctions under it. If, however, the aim of the framework has shifted and it is now intended to be a preventative measure to encourage IHEs to avoid unwanted behavior, then the fact that few IHEs face sanctions could be viewed as evidence of the CDR's effectiveness, assuming that in the metric's absence some IHEs might have higher default rates.

If the CDR framework is intended to weed out relatively poorly performing IHEs, Congress might consider whether to adjust the thresholds for the application of CDR sanctions downward, as this would presumably lead to more IHEs failing to meet lower CDR thresholds. Lowering CDR thresholds may also have a preventative effect, as IHEs at risk of exceeding lower CDR thresholds might implement strategies to ensure compliance with the lower threshold.

Stakeholder concern over the potential for decreased access to postsecondary education for underrepresented groups has been consistent throughout the CDR's history and may continue to be so under the current CDR framework or if CDR thresholds were lowered. Concerns may be raised that some IHEs might effectively be penalized for enrolling high proportions of underserved student populations.²²⁹ Some IHEs may be discouraged from enrolling students who might be more likely to default on federal student loans, while other IHEs might be discouraged from participating in the Direct Loan program altogether. With the wide availability of student loan borrower benefits such as IDR plans, however, questions may be raised about whether IHEs with higher proportions of student loan borrowers experiencing severe student loan outcomes such as default should be permitted to disburse additional loans to students. Such outcomes may point to issues with an institution's Title IV administrative capability, but other factors potentially

²²⁸ See, for example, Senate Committee on Health, Education, Labor & Pensions, Chairman Lamar Alexander, "Risk-Sharing/Skin-in-the-Game Concepts and Proposals," March 23, 2015, https://www.help.senate.gov/imo/media/Risk_Sharing.pdf.

²²⁹ Similar arguments have been raised, for example, in the context of the HEA Title IV 90/10 Rule. See CRS Report R46773, *The 90/10 Rule Under HEA Title IV: Background and Issues*.

affecting an IHE's CDR, like poor loan servicing or information asymmetry with respect to student loan benefits, may be beyond an IHE's control. Analyses in this report indicate that most IHEs might not exceed CDR thresholds at modestly lower levels (25%). Thus, few IHEs, and by extension their students, may be in danger of the potential loss of Title IV eligibility due to meeting modestly lower CDR thresholds.²³⁰

Supplementing the CDR

Another option to address concerns surrounding the CDR's utility may be to supplement the CDR by either incorporating additional measures of assessing institutional accountability like the SBR or SLDDR into the CDR's framework or to craft another student loan-centric metric such as one that focuses on borrowers' progress toward repayment to operate alongside the CDR.

Incorporating the SBR or SLDDR in a CDR-Style Metric

The SBR would provide a measure of students who attend an IHE and who borrow funds for enrollment. This may help supplement the CDR by providing an indication of the extent to which students (as opposed to borrowers) who attend a particular IHE are at risk of defaulting on federal student loans. Incorporation of the SBR into the CDR framework may prove useful for many of the key players in the federal student loan programs.

From the federal government's perspective, incorporation of the SBR could help it assess whether certain schools with high student loan default rates pose a meaningful risk to it in terms of overall Title IV fiscal and program integrity. For example, with this information, federal policy might be focused on those IHEs with both high CDRs and high SBRs, which presumably pose the highest risk to the integrity of the federal student loan programs. From a student's or prospective student's perspective, incorporation of the SBR may serve as a consumer information tool, helping them assess how likely it is to be necessary to borrow to attend a particular IHE and, if so, how likely it may be for them to default on those loans.

Incorporation of an SLDDR into the CDR framework may serve as an indicator of the relative financial risk an IHE poses to key stakeholders, as it would account for the amount of federal student loans owed by loan defaulters three years after entry into repayment. For those stakeholders interested in federal financial outcomes (e.g., the federal government, taxpayers), the SLDDR would provide more information about the financial risk to the federal government presented by borrowers at an IHE.

For borrowers or potential borrowers, the SLDDR may provide additional consumer information about the relative financial risk of borrowing for enrollment at a particular school. Specifically, it may provide additional consumer information regarding the amount owed by defaulted borrowers associated with an IHE, which may inform their enrollment or borrowing decisions. However, the administrative consequences of loan default (e.g., acceleration of the loan, loss of eligibility for certain borrower benefits, report of the default to consumer reporting agencies)²³¹ are the same for borrowers regardless of amount owed, so in those respects the SLDDR's utility may be limited.

²³⁰ Some research indicates that in the early 1990s following CDR sanctions of many private for-profit institutions, enrollment at private for-profit institutions decreased notably while it simultaneously increased at institution in other sectors. This suggests that the use of the CDR framework may not have resulted in an overall decrease in students' access to postsecondary education at the time. See Stephanie R. Cellini, Rajeev Darolia, and Lesley J. Turner, "Where Do Students Go When For-Profit Colleges Lose Federal Aid?," *American Economic Journal: Economic Policy*, vol. 12, no. 2 (May 2020), pp. 46-83.

²³¹ For additional information on the consequences of loan default, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

Analyses in this report found that IHEs' CDRs and SLDDRs are closely aligned; thus, it is unclear whether additional information to be gleaned from incorporation of an SLDDR into the existing CDR framework would be of great value to the federal government in terms of its interest in ensuring the fiscal integrity of the federal student aid programs. Nonetheless, if a reconstructed CDR framework incorporated SLDDRs to weight or rank school performance, for instance, there may be more potential for mitigating federal fiscal risk. The SLDDR used in this report was constructed to align with how the current CDR is calculated (i.e., PLUS Loans to graduate students and to parents of dependent undergraduate students were excluded). The inclusion of PLUS Loans in the CDR and/or the SLDDR may reveal differing trends.

While the utility of incorporating the SBR and/or the SLDDR into a CDR-style metric may be debated and precise institutional performance under each may vary, two trends emerge when mapping either against the current CDR. First, in general, IHEs that might be considered to be performing poorly under either measure mapped against the CDR tended to have higher average rates of Pell Grant receipt than other IHEs; and second, HBCUs were more likely than non-HBCUs to perform in a manner that might be of concern to some stakeholders in terms of borrower outcomes (i.e., they tended to be High CDR/High SBR, and to be High CDR/High SLDDR). Should Congress consider incorporating the measures explored in this report into a CDR framework, these trends may be worth noting, and could help inform policy and design choices in light of college access considerations.

Considering Progress Toward Repayment

Congress might also consider other institutional accountability measures not evaluated in this report to supplement the CDR. Myriad alternative institutional accountability metrics related to the performance of federal student loans have been proposed in recent years. These include proposals to measure the percentage of an IHE's borrowers who are able to make payments on their loans in a timely manner,²³² proposals to assess the share of an IHE's borrowers who are able to pay down at least \$1 of the principal amount of the federal student loans they borrowed within a specified timeframe,²³³ and others.²³⁴ Although the approaches under each of the proposals vary, they all tend to focus on a borrower's ability to repay their student loan debt, rather than on their ability to avoid the worst consequence of nonpayment—default. Examination of these types of institutional accountability measures would likely warrant extensive consideration beyond the scope of this report, but could include deliberation on issues with and lessons learned from the CDR framework, including the following:

- a potential policy's aims (e.g., punitive and/or preventative) and whether it is sufficiently targeted to meet those goals,
- the incentives driving key stakeholders' decisions and their reactions to a potential policy (e.g., would an incentive to comply with a policy result in unwanted behavior from IHEs?),
- interactions between the potential policy and other federal student aid policies (e.g., how might federal student loan terms and conditions affect an IHE's performance under a proposed metric?), and

²³² See, for example, H.R. 4674 (116th Congress).

²³³ See, for example, S. 5072 (118th Congress).

²³⁴ See, for example, J. Oliver Schak, *A Policymaker's Guide to Using New Student Debt Metrics to Strengthen Higher Education Accountability*, The Institute for College Access and Success, 2021, <https://ticas.org/wp-content/uploads/2021/03/Student-debt-metrics-exec-summary.pdf>.

- whether the policy is sufficiently flexible to respond to unforeseen circumstances or changes in other student aid policies, and potential implementation challenges (e.g., data availability).

Eliminating the CDR

Alternatively, Congress might consider whether to eliminate the CDR framework altogether, as some stakeholders contend that developments in the federal student loan programs, such as the utilization of more generous IDR plans that may decrease incidents of default on a federal student loan, render “the CDR measure effectively worthless in the long-term for the purposes of measuring institutional quality.”²³⁵ Eliminating the measure altogether may free up administrative resources at ED and IHEs, as neither entity would be required to devote resources to oversight of and compliance with the measure. However, without replacing the CDR with another institutional accountability measure, it is possible that issues like those Congress and the Administration sought to address in the establishment of the CDR, such as incidents of fraud in the federal student loan programs or subpar aid administration policies, may surface again or become exacerbated.

Amending the CDR Calculation

Members of Congress and outside stakeholders have made a variety of other proposals to amend the CDR calculation aimed at addressing concerns about the current CDR’s utility that might be explored further by Congress.

Accounting for Periods of Deferment or Forbearance

One such proposal would be to adjust the CDR calculation to account for periods of deferment or forbearance, potentially by either extending the cohort default period to capture a longer period of borrower repayment activity or by considering loans in forbearance for a specified period of time as in default for purposes of calculating an IHE’s CDR.²³⁶

Congress has previously extended the cohort default period (from two years to three years) to similarly address concerns about the CDR’s utility. The national CDR rate peaked relatively early following the switch from the two-year to the three-year cohort default period and then slowly decreased to levels well below the 30% CDR threshold (see **Figure 1**). This trend, along with the findings of at least one GAO report,²³⁷ may indicate that IHEs adjusted their practices to meet the more stringent standards. However, other factors related to student loan borrower flexibilities, such as the increased availability and take up of IDR plans, may also be playing a role in IHEs’ continued ability to meet CDR requirements. Should Congress consider extending the cohort default period, it might explore how the availability of these other student loan flexibilities affects CDR outcomes or options to curtail particular undesirable institutional behavior aimed at ensuring compliance with the CDR.

A proposal to consider loans in forbearance for a specified period of time as in default for purposes of calculating an IHE’s CDR could address some of the same concerns as extending the

²³⁵ Letter from Kelly McManus, Vice President of Higher Education, Arnold Ventures, and Clare McCann, Higher Education Fellow, Arnold Ventures, to Richard Blasen, U.S. Department of Education, February 10, 2023, file:///C:/Users/adhegji/Downloads/ED-2023-OPE-0004-13269_attachment_1.pdf.

²³⁶ See, for example, H.R. 4674 (116th Congress).

²³⁷ U.S. Government Accountability Office (GAO), *Federal Student Loans: Actions Needed to Improve Oversight of Schools’ Default Rates*, GAO-18-163, April 26, 2018, pp. 14-26.

cohort default period and would address at least one institutional practice of concern that has been identified: encouraging borrowers to enter forbearance on their loans regardless of whether that is the most beneficial option for them.

Including PLUS Loans

Another adjustment to the CDR framework that some stakeholders have proposed is the inclusion of PLUS Loans to parents of dependent undergraduate students (Parent PLUS Loans) and to graduate and professional students (Grad PLUS Loans) in the CDR calculation.²³⁸ Although the precursor to Parent PLUS Loans was first authorized in 1980, loans to parents to assist in financing their dependent undergraduate student's education have never been included in the CDR framework. Since 1992, there have been no aggregate borrowing limits for Parent PLUS Loans. Grad PLUS Loans were first authorized in 2006 and have never been included in the CDR framework; there have never been aggregate borrowing limits for them.

It is unclear whether inclusion of Grad PLUS Loans in an IHE's CDR under the current framework would provide much clarity to institutional performance under the CDR, as many Grad PLUS Loan borrowers may already be included in institutional CDRs. While Grad PLUS Loans are currently excluded from the CDR, the CDR considers whether a *particular borrower* defaulted on their loans. Thus, individuals who borrowed both Subsidized Loans²³⁹ and/or Unsubsidized Loans and Grad PLUS Loans for their graduate or professional education at a particular IHE would be captured in the IHE's CDR denominator. Should such an individual default on their Subsidized Loans and/or Unsubsidized Loans, they would also be included in the numerator. Because federal policy requires that IHEs determine a graduate or professional student's maximum Unsubsidized Loan eligibility before originating Grad PLUS Loans to them,²⁴⁰ many graduate and professional students are unlikely to have borrowed only Grad PLUS Loans for enrollment at an IHE.²⁴¹

Inclusion of Parent PLUS Loans in the CDR framework may provide for an additional level of institutional accountability. Citing the absence of aggregate borrowing limits for Parent PLUS Loans and their exclusion from institutional accountability measures such as the CDRs, some stakeholders have described Parent PLUS Loans as "a no-strings-attached revenue source for colleges and universities, with the risk shared only by parents and the government."²⁴² Inclusion of Parent PLUS Loans in the CDR may help address some of these concerns in that an IHE's CDR would more fully depict the population of student loan borrowers and defaulters associated with an IHE and may help better target federal policy interventions to IHEs that may be of greater concern to the federal government, students, and their families.²⁴³ Doing so, however, would

²³⁸ See, for example, H.R. 5126 (117th Congress).

²³⁹ Prior to July 1, 2023, Subsidized Loans were available to graduate and professional students.

²⁴⁰ U.S. Department of Education, Office of Federal Student Aid, *2023-2024 Federal Student Aid Handbook*, vol. 3, p. 42.

²⁴¹ In some cases, a borrower may have met their aggregate Subsidized Loan and/or Unsubsidized Loan limits for their graduate or professional education for enrollment at one IHE and may have borrowed Grad PLUS Loans for enrollment at another IHE.

²⁴² Sandy Baum, Kristin Blagg, and Rachel Fishman, *Reshaping Parent PLUS Loans: Recommendations for Regoring the Parent PLUS Program*, Urban Institute, Washington, DC, April 2019, p. 10, https://www.urban.org/sites/default/files/publication/100106/reshaping_parent_plus_loans.pdf.

²⁴³ For example, research indicates that, in general, Parent PLUS Loan borrowers are more successful in repaying their loans than students (e.g., they are less likely to default), but like loans to student borrowers, there are disparities in repayment outcomes among Parent PLUS Loan borrowers. For example, one piece of research calculated that default rates among Parent PLUS Loan borrowers at private for-profit IHEs was 16%, compared to 6% at private nonprofit (continued...)

effectively treat two borrower populations (parents and students) with differing life experiences and circumstances (e.g., a parent borrower may have a longer work history and earn a higher salary than a newly graduated student) the same, which may add a level of uncertainty as to whether an IHE is of sufficient educational quality.²⁴⁴

IHEs and 5% at public IHEs. See, for example, Sandy Baum, Kristin Blagg, and Rachel Fishman, *Reshaping Parent PLUS Loans: Recommendations for Reforming the Parent PLUS Program*, Urban Institute, Washington, DC, April 2019, pp. 11-12, https://www.urban.org/sites/default/files/publication/100106/reshaping_parent_plus_loans.pdf; and Wenhua Di, Carla Fletcher, and Jeff Webster, *Parental Borrowing for College Comes with Repayment Issues*, Federal Reserve Bank of Dallas, Dallas, TX, 2018, p. 4, [https://www.dallasfed.org/~media/documents/research/swe/2018/swe1803e.pdf](https://www.dallasfed.org/~/media/documents/research/swe/2018/swe1803e.pdf).

²⁴⁴ Some proponents of including Parent PLUS Loans in an institutional accountability measure advocate for creation of a separate Parent PLUS Loan CDR to address this issue. Sandy Baum, Kristin Blagg, and Rachel Fishman, *Reshaping Parent PLUS Loans: Recommendations for Reforming the Parent PLUS Program*, Urban Institute, Washington, DC, April 2019, p. 21, https://www.urban.org/sites/default/files/publication/100106/reshaping_parent_plus_loans.pdf.

Appendix A. Institutional Characteristics

Table A-1, Table A-2, and Table A-3 present information on characteristics of IHEs as measured according to the CDR, the CDR paired with the SBR, and the CDR paired with the SLDDR. This information includes institutional sector, student enrollment, the percentage of undergraduate students who received a Pell Grant for enrollment at an IHE, and institutional status as a Historically Black College or University (HBCU). Information provided is based on institutional CDRs for CFY2017 and selected characteristics for AY2015-2016. This information supports the analysis presented in the “CDR Distribution Within and Across Institutional Sectors” and “An Initial Look at How SBRs and SLDDRs Align with CDRs Within and Across Sectors” sections of this report.

Table A-1. CFY2017 Cohort Default Rate (CDR) Bands: IHEs and AY2015-2016 Selected Characteristics, by Sector and by HBCU Status

CDR	IHEs		Student Enrollment ^a		Average Percentage of Undergraduates Receiving a Pell Grant ^b
	#	%	#	%	%
All IHEs					
Total	4,373	100	25,930,000	100	36
CDR ≥ 30%	53	1	28,000	0	53
25% ≤ CDR < 30%	114	3	150,000	1	55
CDR ≤ 9% ^c	2,216	51	13,830,000	53	32
CDR > 9% ^c	2,157	49	12,100,000	47	40
Public Four-Year					
Sector Total	623	100	9,732,000	100	35
CDR ≥ 30%	0	0	–	0	–
25% ≤ CDR < 30%	3	1	6,000	0	59
CDR ≤ 9% ^c	415	67	7,595,000	78	33
CDR > 9% ^c	208	33	2,137,000	22	42
Private Nonprofit Four-Year					
Sector Total	1,359	100	4,955,000	100	33
CDR ≥ 30%	7	1	5,000	0	85
25% ≤ CDR < 30%	11	1	15,000	0	66
CDR ≤ 9% ^c	1,081	80	4,276,000	86	29
CDR > 9% ^c	278	20	679,000	14	55
Private For-Profit Four-Year					
Sector Total	176	100	1,549,000	100	53

CDR	IHEs		Student Enrollment ^a		Average Percentage of Undergraduates Receiving a Pell Grant ^b
	#	%	#	%	%
CDR ≥ 30%	0	0	–	0	–
25% ≤ CDR < 30%	2	1	474	0	58
CDR ≤ 9% ^c	98	56	457,000	30	47
CDR > 9% ^c	78	44	1,092,000	71	55
Public Two-Year					
Sector Total	796	100	8,974,000	100	34
CDR ≥ 30%	4	1	16,000	0	35
25% ≤ CDR < 30%	17	2	80,000	1	45
CDR ≤ 9% ^c	94	12	1,340,000	15	30
CDR > 9% ^c	702	88	7,634,000	85	35
Private Nonprofit Two-Year					
Sector Total	106	100	71,000	100	65
CDR ≥ 30%	2	2	960	1	38
25% ≤ CDR < 30%	5	5	3,000	4	69
CDR ≤ 9% ^c	70	66	21,000	29	50
CDR > 9% ^c	36	34	50,000	71	70
Private For-Profit Two-Year					
Sector Total	380	100	297,000	100	61
CDR ≥ 30%	7	1	859	0	52
25% ≤ CDR < 30%	11	3	7,000	2	77
CDR ≤ 9% ^c	146	38	66,000	22	59
CDR > 9% ^c	234	62	231,000	78	62

CDR	IHEs		Student Enrollment ^a		Average Percentage of Undergraduates Receiving a Pell Grant ^b
	#	%	#	%	%
Public Less-Than-Two-Year					
Sector Total	126	100	37,000	100	39
CDR ≥ 30%	1	1	162	0	92
25% ≤ CDR < 30%	2	2	459	1	26
CDR ≤ 9% ^c	42	33	7,000	18	53
CDR > 9% ^c	84	67	31,000	82	36
Private Nonprofit Less-Than-Two-Year					
Sector Total	26	100	16,000	100	61
CDR ≥ 30%	0	0	–	0	–
25% ≤ CDR < 30%	0	0	–	0	–
CDR ≤ 9% ^c	10	39	4,000	24	46
CDR > 9%	16	62	12,000	77	66
Private For-Profit Less-Than-Two- Year					
Sector Total	781	100	299,000	100	61
CDR ≥ 30%	32	4	5,000	2	66
25% ≤ CDR < 30%	63	8	39,000	13	65
CDR ≤ 9% ^c	260	33	65,000	22	54
CDR > 9% ^c	521	67	78	78	63
HBCUs					
Sector Total	90	100	314,000	100	61
CDR ≥ 30%	6	7	6,000	2	83
25% ≤ CDR < 30%	10	11	24,000	8	64

CDR	IHEs		Student Enrollment ^a		Average Percentage of Undergraduates Receiving a Pell Grant ^b
	#	%	#	%	%
CDR ≤ 9% ^c	7	8	37,000	12	57
CDR > 9% ^c	83	92	277,000	88	62

Source: CRS analysis of U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, press package for FY2017, <https://fsapartners.ed.gov/sites/default/files/2021-09/FY2017PressPackage.xlsx>; and U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System.

Notes: Details may not add to totals due to rounding.

- a. Represents the 12-month unduplicated headcount of undergraduate and graduate students enrolled for credit at an IHE at any point during AY2015-2016.
- b. Excludes IHEs that reported zero individuals enrolled as undergraduate students in AY2015-2016.
- c. 9% was the median CFY2017 CDR for all IHEs examined.

Table A-2. CFY2017 Cohort Default Rates (CDRs) and AY2015-2016 Student Borrower Rates (SBR): IHEs and AY2015-2016 Selected Characteristics, by Sector and by HBCU Status

CDR/SBR Quadrants ^d	IHEs		Borrowers (SBR Numerator) ^a		Student Enrollment (SBR Denominator) ^b		Average Percentage of Undergraduates Receiving a Pell Grant ^c
	#	%	#	%	#	%	%
All IHEs							
Total	4,373	100	8,222,000	100	25,930,000	100	36
High CDR/High SBR ^e	1,009	23	1,295,000	16	2,115,000	8	58
High CDR/Low SBR ^f	1,148	26	1,692,000	21	9,985,000	39	36
Low CDR/Low SBR ^g	1,039	24	2,895,000	35	9,631,000	37	31
Low CDR/High SBR ^h	1,177	27	2,339,000	28	4,199,000	16	37

CDR/SBR Quadrants ^d	IHEs		Borrowers (SBR Numerator) ^a		Student Enrollment (SBR Denominator) ^b		Average Percentage of Undergraduates Receiving a Pell Grant ^c
	#	%	#	%	#	%	%
Public Four-Year							
Sector Total	623	100	3,646,000	100	9,732,000	100	35
High CDR/High SBR ^e	78	13	303,000	8	520,000	5	51
High CDR/Low SBR ^f	130	21	381,000	10	1,617,000	17	39
Low CDR/Low SBR ^g	272	44	2,011,000	55	5,775,000	59	32
Low CDR/High SBR ^h	143	23	951,000	26	1,820,000	19	36
Private Nonprofit Four-Year							
Sector Total	1,359	100	2,257,000	100	4,955,000	100	33
High CDR/High SBR ^e	223	16	374,000	17	578,000	12	55
High CDR/Low SBR ^f	55	4	37,000	2	102,000	2	52
Low CDR/Low SBR ^g	460	34	761,000	34	2,389,000	48	24
Low CDR/High SBR ^h	621	46	1,086,000	48	1,887,000	38	35
Private For-Profit Four-Year							
Sector Total	176	100	795,000	100	1,549,000	100	53
High CDR/High SBR ^e	61	35	337,000	42	558,000	36	61
High CDR/Low SBR ^f	17	10	205,000	26	534,000	35	49
Low CDR/Low SBR ^g	33	19	31,000	4	100,000	7	34
Low CDR/High SBR ^h	65	37	222,000	28	357,000	23	52
Public Two-Year							
Sector Total	796	100	1,136,000	100	8,974,000	100	34
High CDR/High SBR ^e	7	1	7,000	1	13,000	0.1	73

CDR/SBR Quadrants ^d	IHEs		Borrowers (SBR Numerator) ^a		Student Enrollment (SBR Denominator) ^b		Average Percentage of Undergraduates Receiving a Pell Grant ^c	
	#	%	#	%	#	%	%	
High CDR/Low SBR ^f	695	87	1,037,000	91	7,621,000	85	35	
Low CDR/Low SBR ^g	88	11	76,000	7	1,310,000	15	30	
Low CDR/High SBR ^h	6	1	15,000	1	29,000	0.3	33	
Private Nonprofit Two-Year								
Sector Total	106	100	43,000	100	71,000	100	65	
High CDR/High SBR ^e	29	27	32,000	74	47,000	67	71	
High CDR/Low SBR ^f	7	7	1,000	1	3,000	4	41	
Low CDR/Low SBR ^g	23	22	2,000	4	6,000	9	34	
Low CDR/High SBR ^h	47	44	9,000	21	14,000	20	56	
Private For-Profit Two-Year								
Sector Total	380	100	165,000	100	297,000	100	61	
High CDR/High SBR ^e	190	50	124,000	75	204,000	69	63	
High CDR/Low SBR ^f	44	12	8,000	5	26,000	9	52	
Low CDR/Low SBR ^g	44	12	5,000	3	20,000	7	55	
Low CDR/High SBR ^h	102	27	28,000	17	46,000	16	61	
Public Less-Than-Two-Year								
Sector Total	126	100	13,000	100	37,000	100	39	
High CDR/High SBR ^e	54	43	4,000	34	7,000	19	67	
High CDR/Low SBR ^f	30	24	6,000	45	24,000	64	27	
Low CDR/Low SBR ^g	14	11	1,000	7	4,000	10	50	
Low CDR/High SBR ^h	28	22	2,000	14	3,000	8	55	

CDR/SBR Quadrants ^d	IHEs		Borrowers (SBR Numerator) ^a		Student Enrollment (SBR Denominator) ^b		Average Percentage of Undergraduates Receiving a Pell Grant ^c
	#	%	#	%	#	%	%
Private Nonprofit Less-Than-Two-Year							
Sector Total	26	100	4,000	100	16,000	100	61
High CDR/High SBR ^e	8	31	1,000	22	1,000	8	76
High CDR/Low SBR ^f	8	31	2,000	56	1,000	68	65
Low CDR/Low SBR ^g	7	27	1,000	17	3,000	22	46
Low CDR/High SBR ^h	3	12	191	5	314	2	48
Private For-Profit Less-Than-Two-Year							
Sector Total	781	100	161,000	100	299,000	100	61
High CDR/High SBR ^e	359	46	112,000	70	186,000	62	66
High CDR/Low SBR ^f	162	21	16,000	10	48,000	16	52
Low CDR/Low SBR ^g	98	13	8,000	5	23,000	8	42
Low CDR/High SBR ^h	162	21	25,000	16	42,000	14	61
HBCUs							
Total	90	100	196,000	100	314,000	100	61
High CDR/High SBR ^e	75	83	162,000	83	223,000	74	66
High CDR/Low SBR ^f	8	0	9,000	5	45,000	14	38
Low CDR/Low SBR ^g	–	0	0	0	–	0	–
Low CDR/High SBR ^h	7	8	24,000	13	37,000	12	57

Source: CRS analysis of U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, press package for FY2017, <https://fsapartners.ed.gov/sites/default/files/2021-09/FY2017PressPackage.xlsx>; and U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System.

Notes: Details may not add to totals due to rounding.

- a. Represents the total number of undergraduate and graduate students who borrowed a Direct Subsidized Loan, Unsubsidized Loan, or Graduate PLUS Loan to attend an IHE in AY2015-2016.
- b. Represents the 12-month unduplicated headcount of undergraduate and graduate students enrolled for credit at an IHE at any point during AY2015-2016.
- c. Excludes IHEs that reported zero individuals enrolled as undergraduate students in AY2015-2016.
- d. The SBR is the percentage of graduate and undergraduate students who borrowed a Direct Loan program loan to attend an IHE in AY2015-2016, truncated to the tenth decimal place.
- e. IHEs with CDRs that exceeded the median CDR of all IHEs (9%) and SBRs that exceeded the median SBR for all IHEs (46.4%).
- f. IHEs with CDRs that exceeded the median CDR of all IHEs (9%) and SBRs that were equal to or lower than the median SBR of all IHEs (46.4%).
- g. IHEs with CDRs that were equal to or lower than the median CDR of all IHEs (9%) and SBRs that were equal to or lower than the median SBR of all IHEs (46.4%).
- h. IHEs with CDRs that were equal to or lower than the median CDR of all IHEs (9%) and SBRs that exceeded the median SBR of all IHEs (46.4%).

Table A-3. CFY2017 Cohort Default Rates (CDRs) and FY2017 Student Loan Dollar Default Rates (SLDDR): IHEs and AY2015-2016 Selected Characteristics, by Sector and by HBCU Status

CDR/SLDDR Quadrant ^e	IHEs		Student Enrollment ^a		Average Percentage of Undergraduates Receiving a Pell Grant ^b	Dollars Owed by Defaulters (SLDDR Numerator; \$ in thousands) ^c		Dollars Borrowed by All Borrowers (SLDDR Denominator; \$ in thousands) ^d		
	#	%	#	%	%	\$	%	\$	%	
All IHEs										
Total	4,373	100	25,923,000	100	36	1,201,219	100	75,957,246	100	
High CDR/High SLDDR ^f	1,909	44	10,054,000	39	39	530,963	44	13,796,029	18	
High CDR/Low SLDDR ^g	248	6	2,045,000	8	47	174,292	15	10,143,197	13	
Low CDR/Low SLDDR ^h	1,955	45	13,053,000	50	32	477,855	40	51,337,950	68	
Low CDR/High SLDDR ⁱ	261	6	777,000	3	37	18,109	0	680,071	1	
Public Four-Year										
Sector Total	623	100	9,732,000	100	35	390,049	100	32,052,010	100	
High CDR/High SLDDR ^f	137	22	1,314,000	14	42	73,189	19	2,336,687	7	
High CDR/Low SLDDR ^g	71	11	823,000	9	43	58,113	15	3,236,765	10	

CDR/SLDDR Quadrant ^e	IHEs		Student Enrollment ^a		Average Percentage of Undergraduates Receiving a Pell Grant ^b	Dollars Owed by Defaulters (SLDDR Numerator; \$ in thousands) ^c		Dollars Borrowed by All Borrowers (SLDDR Denominator; \$ in thousands) ^d	
	#	%	#	%	%	\$	%	\$	%
Low CDR/Low SLDDR ^h	403	65	7,495,000	77	33	257,078	66	26,412,711	82
Low CDR/High SLDDR ⁱ	12	2	100,000	1	54	1,669	0	65,846	0
Private Nonprofit Four-Year									
Sector Total	1,359	100	4,955,000	100	33	263,090	100	24,862,184	100
High CDR/High SLDDR ^f	175	13	287,000	6	63	50,088	19	1,541,156	6
High CDR/Low SLDDR ^h	103	8	393,000	8	48	34,776	13	2,094,602	8
Low CDR/Low SLDDR ^h	1,022	75	4,205,000	85	29	172,007	65	20,993,771	84
Low CDR/High SLDDR ⁱ	59	4	71,000	1	59	6,219	2	232,656	1
Private For-Profit Four-Year									
Sector Total	176	100	1,549,000	100	53	162,514	100	9,149,940	100
High CDR/High SLDDR ^f	46	26	374,000	24	54	46,146	28	1,621,740	18
High CDR/Low SLDDR ^g	32	18	718,000	46	55	76,117	47	4,546,274	50
Low CDR/Low SLDDR ^h	91	52	439,000	28	47	37,375	23	2,871,164	31
Low CDR/High SLDDR ⁱ	7	4	19,000	1	81	2,876	2	110,761	1
Public Two-Year									
Sector Total	796	100	8,974,000	100	34	272,636	100	7,028,086	100
High CDR/High SLDDR ^f	691	87	7,540,000	84	35	258,650	95	6,126,287	87
High CDR/Low SLDDR ^h	11	1	94,000	1	38	4,002	2	190,906	3
Low CDR/Low SLDDR ^h	54	7	795,000	9	29	6,198	2	567,979	8
Low CDR/High SLDDR ⁱ	40	5	545,000	6	30	3,787	1	142,914	2

CDR/SLDDR Quadrant ^e	IHEs		Student Enrollment ^a		Average Percentage of Undergraduates Receiving a Pell Grant ^b	Dollars Owed by Defaulters (SLDDR Numerator; \$ in thousands) ^c		Dollars Borrowed by All Borrowers (SLDDR Denominator; \$ in thousands) ^d		
	#	%	#	%	%	\$	%	\$	%	
Private Nonprofit Two-Year										
Sector Total	106	100	71,000	100	65	10,030	100	320,137	100	
High CDR/High SLDDR ^f	32	30	47,000	67	71	8,981	90	218,149	68	
High CDR/Low SLDDR ^g	4	4	2,000	3	61	208	2	13,113	4	
Low CDR/Low SLDDR ^h	66	62	17,000	24	53	712	7	84,406	26	
Low CDR/High SLDDR ⁱ	4	4	4,000	6	35	128	1	4,470	1	
Private For-Profit Two-Year										
Sector Total	380	100	297,000	100	61	44,415	100	1,307,067	100	
High CDR/High SLDDR ^f	222	58	227,000	77	62	40,836	92	1,021,537	78	
High CDR/Low SLDDR ^g	12	3	4,000	1	52	329	1	18,791	1	
Low CDR/Low SLDDR ^h	117	31	58,000	19	59	2,522	6	238,506	18	
Low CDR/High SLDDR ⁱ	29	7	9,000	3	61	727	2	28,232	2	
Public Less-Than-Two-Year										
Sector Total	126	100	37,000	100	39	3,751	100	111,633	100	
High CDR/High SLDDR ^f	77	61	20,000	54	37	2,640	70	49,357	44	
High CDR/Low SLDDR ^g	7	6	10,000	28	36	659	18	38,143	34	
Low CDR/Low SLDDR ^h	26	21	3,000	9	52	205	6	15,313	14	
Low CDR/High SLDDR ⁱ	16	13	3,000	9	53	248	7	8,820	7	
Private Nonprofit Less-Than-Two-Year										
Sector Total	26	100	16,000	100	61	1,242	100	25,441	100	

CDR/SLDDR Quadrant ^e	IHEs		Student Enrollment ^a		Average Percentage of Undergraduates Receiving a Pell Grant ^b	Dollars Owed by Defaulters (SLDDR Numerator; \$ in thousands) ^c		Dollars Borrowed by All Borrowers (SLDDR Denominator; \$ in thousands) ^d	
	#	%	#	%	%	\$	%	\$	%
High CDR/High SLDDR ^f	15	58	11,000	70	64	1,074	87	18,154	71
High CDR/Low SLDDR ^g	1	4	1,000	6	85	6	1	302	1
Low CDR/Low SLDDR ^h	8	31	3,000	16	44	54	4	4,115	16
Low CDR/High SLDDR ⁱ	2	8	1,000	8	50	108	9	2,870	11
Private For-Profit Less-Than-Two-Year									
Sector Total	781	100	299,000	100	61	53,492	100	1,100,748	100
High CDR/High SLDDR ^f	514	66	234,000	78	63	49,359	92	862,962	78
High CDR/Low SLDDR ^g	7	1	1,000	0	60	82	0.2	4,301	0
Low CDR/Low SLDDR ^h	168	22	40,000	13	55	1,703	3	149,985	17
Low CDR/High SLDDR ⁱ	92	12	25,000	8	52	2,347	4	83,500	8
HBCUs									
Total	90	100	314,000	100	61	50,678	100	1,996,440	100
High CDR/High SLDDR ^f	65	72	196,000	63	63	38,021	75	1,101,658	55
High CDR/Low SLDDR ^g	18	20	81,000	26	58	9,257	18	563,087	28
Low CDR/Low SLDDR ^h	7	8	37,000	12	57	3,399	7	331,695	17
Low CDR/High SLDDR ⁱ	–	0	–	0	–	–	0	–	0

Source: CRS analysis of U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, press package for FY2017, <https://fsapartners.ed.gov/sites/default/files/2021-09/FY2017PressPackage.xlsx>; and U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System.

Notes: Details may not add to totals due to rounding.

a. Represents the 12-month unduplicated headcount of undergraduate and graduate students enrolled for credit at an IHE at any point during AY2015-2016.

- b. Excludes IHEs that reported zero individuals enrolled as undergraduate students in AY2015-2016.
- c. Represents the outstanding principal and interest balance three years after entering repayment for all CDR-relevant loans borrowed to attend a given IHE of borrowers who entered repayment on their loans in FY2017 and defaulted on any of those loans within three years. CDR-relevant loans are those loans that were considered in determining whether a borrower was included in the IHE's CDR calculation and include Federal Family Education Loan program or Direct Loan program Subsidized Loans or Unsubsidized Loans borrowed to attend the IHE.
- d. Represents the outstanding principal and interest balance at the time of entry into repayment for all CDR-relevant loans borrowed to attend a given IHE of all borrowers who entered repayment in FY2017, and multiplied by 100. CDR-relevant loans are those loans that were considered in determining whether a borrower was included in the IHE's CDR calculation and include Federal Family Education Loan program or Direct Loan program Subsidized Loans or Unsubsidized Loans borrowed to attend the IHE.
- e. The FY2017 student loan dollar default rate (SLDDR) is the outstanding principal and interest balance three years after entering repayment for all CDR-relevant loans borrowed to attend a given IHE of borrowers who entered repayment on their loans in FY2017 and defaulted on any of those loans within three years, divided by the outstanding principal and interest balance at the time of entry into repayment for all CDR-relevant loans borrowed to attend a given IHE of all borrowers who entered repayment in FY2017, multiplied by 100, and truncated to the tenth decimal place. CDR-relevant loans are those loans that were considered in determining whether a borrower was included in the IHE's CDR calculation and include Federal Family Education Loan program or Direct Loan program Subsidized Loans or Unsubsidized Loans borrowed to attend the IHE.
- f. IHEs with CDRs that exceeded the median CDR of all IHEs (9%) and SLDDRs that exceeded the median SLDDR of all IHEs (2.1%).
- g. IHEs with CDRs that exceeded the median CDR of all IHEs (9%) and SLDDRs that were equal to or lower than the median SLDDR of all IHEs (2.1%).
- h. IHEs with CDRs that were equal to or lower than the median CDR of all IHEs (9%) and SLDDRs that were equal to or lower than the median SLDDR of all IHEs (2.1%).
- i. IHEs with CDRs that were equal to or lower than the median CDR of all IHEs (9%) and SLDDRs that exceeded the median SLDDR of all IHEs (2.1%).

Appendix B. Methodology for Examining Three Options of Calculating CDRs by Institutional Characteristics

In this report, CRS examined three methodologies to evaluate institutional performance, all of which incorporate the current CDR metric: (1) the current CDR methodology, (2) the current CDR methodology and incorporating institutional student loan borrower rates (SBRs), and (3) the current CDR methodology and incorporating institutional student loan dollar default rates (SLDDRs). In exploring institutional performance under these methodologies, CRS examined a variety of institutional characteristics (e.g., sector, Pell Grant receipt).

To develop the universe of IHEs (and their characteristics) that were examined in this report, CRS first selected IHEs with official CDRs issued for CFY2017 (4,796 IHEs) from the FY2017 ED press package file of CDRs.²⁴⁵ Although more recent institutional CDRs (for CFY2018, CFY2019, and CFY2020) are available, they are excluded from this analysis because they reflect years in which the COVID-19 student loan payment pause was in effect, which made it significantly less likely for most borrowers to default on their student loans. As such, those years' CDRs are lower than they might otherwise have been in the absence of that policy and may not provide sufficient insight into institutional performance under the CDR metric in more typical circumstances.

CRS then appended onto the list of IHEs selected institutional characteristics obtained from ED's Integrated Postsecondary Education Data System (IPEDS). IPEDS is a series of surveys annually conducted by ED to gather institutional data on a variety of topics from Title IV participating IHEs. For this analysis, CRS selected the reported IPEDS data that most closely aligned with the final year (described below) in which a student loan borrower captured by the CFY2017 CDR most likely would have been enrolled. Aligning the data in this way provides a sense of an institution's characteristics when the borrower most likely was enrolled, thus potentially reflecting the borrower's educational experience that may have contributed to whether or not they defaulted on their student loan within the three-year CDR timeframe.

The CFY2017 CDR measures the proportion of students who entered repayment in FY2017 (October 1, 2016-September 30, 2017) and defaulted in FY2017, FY2018, or FY2019. Borrowers of Subsidized Loans and Unsubsidized Loans do not enter repayment on their loans while they are enrolled in an eligible educational program on at least a half-time basis and during a six-month grace period following their graduation, cessation of enrollment, or enrollment below half-time status. For purposes of this analysis, CRS assumed that borrowers entered repayment at the beginning of FY2017 and immediately after a six-month grace period, resulting in borrowers having been enrolled in an institution around April 2016. Many IPEDS data are reported based on the academic year (July 1-June 30); thus, data selected by CRS for this analysis reflects institutional characteristics for AY2015-2016 (July 1, 2015-June 30, 2016), which includes April 2016. When IPEDS variables that reflect AY2015-2016 were unavailable, CRS used available variables closest to AY2015-2016 that reflected a time period *before* April 2016. The appended institutional characteristics were the following:

²⁴⁵ U.S. Department of Education, Office of Federal Student Aid, Official Cohort Default Rate for Schools, press package for FY2017, <https://fsapartners.ed.gov/sites/default/files/2021-09/FY2017PressPackage.xlsx>.

- **Institutional sector for AY2015-2016.** This variable divides the universe of IHEs according to control (e.g., public, private not-for-profit, private for-profit) and level (e.g., two-year, four-year and higher).
- **Status as a Historically Black College or University (HBCU) for AY2015-2016.** This variable indicates whether an institution was classified as an HBCU in AY2015-2016.
- **Percentage of undergraduate students who received a Pell Grant in AY2015-2016.**²⁴⁶ CRS divided the number of undergraduate students awarded a Pell Grant at all institutions within a relevant category (e.g., public two-year institution, HBCU) by the number of all undergraduate students enrolled at IHEs within that category.
- **12-month unduplicated headcount for AY2015-2016.** This variable represents the total unduplicated headcount of undergraduate and graduate students enrolled for credit at an IHE at any point during AY2015-2016.

CRS next appended onto the list ED-provided data on (1) the total number of graduate and undergraduate students²⁴⁷ who borrowed a Direct Subsidized Loan, Unsubsidized Loan, or Graduate PLUS Loan to attend the relevant IHE in AY2015-2016, (2) the outstanding principal and interest balance for all CDR-relevant loans²⁴⁸ for all borrowers included in an IHE's CDR numerator for CFY2017²⁴⁹; and (3) the outstanding principal and interest balance for all CDR-relevant loans for all borrowers included in an IHE's CDR denominator for CFY2017.²⁵⁰

CRS then calculated each IHE's SBR and SLDDR. To calculate each SBR, CRS divided the ED-provided total number of graduate and undergraduate students who borrowed a Direct Loan to attend the IHE in AY2015-2016 (July 1, 2015-June 30, 2016) by the IPEDS 12-month unduplicated headcount for AY2015-2016 and multiplied the result by 100. To calculate the SLDDR, CRS divided the ED-provided outstanding principal and interest balances three years after entering repayment for all CDR-relevant loans of borrowers who entered repayment on those loans in FY2017 and defaulted on any of those loans within three years by the ED-provided outstanding principal and interest balances at the time of entry into repayment for all CDR-relevant loans for all borrowers who entered repayment in FY2017 and multiplied the result by 100. For each measure, CRS truncated the final results to the tenth decimal place to align with how CDRs are calculated.

Finally, from this list of 4,796 IHEs with CFY2017 CDRs, CRS excluded the following:

²⁴⁶ For purposes of this variable, schools may be considered academic reporters or program reporters. For academic reporters, an academic year generally spans September to June, and such schools report on students who were enrolled as of October 15, or the institution's official reporting data. For program reporters, an academic year generally spans July 1-June 30, and such schools report on students who were enrolled any time during the academic year.

²⁴⁷ Borrowers of PLUS Loans to parents of dependent undergraduate students were not included.

²⁴⁸ CDR-relevant loans are those loans that are considered in determining whether a borrower is included in an IHE's CDR calculation. These include FFEL program or Direct Loan program Subsidized Loans or Unsubsidized Loans borrowed to attend the IHE.

²⁴⁹ Principal balance is the sum of borrowers' principal balances. Interest balance is the sum of borrowers' outstanding interest that accrued on their loans since they entered repayment. Both principal and interest balances are as of the date ED calculated such balances for CDR purposes, which was August 8, 2020, for CFY2017.

²⁵⁰ Principal balance is the sum of all borrowers' principal balances. Interest balance is the sum of all borrowers' outstanding interest that accrued on their loans between the date they entered repayment and the date of recordation in ED's loan history tables. Both principal and interest balances are special tabulations provided to CRS by ED and are as of the date that balances were recorded in ED's loan history tables in its National Student Loan Data System and closest to the date on which a borrower's loans entered repayment in FY2017.

- foreign IHEs (344),²⁵¹
- IHEs without reported IPEDS data or with incomplete IPEDS data needed for the analysis (11),²⁵²
- IHEs with an IPEDS-reported sector of “unknown” or “n/a” (17),
- IHEs for which ED-reported borrower counts exceeded IPEDS-reported enrollment (34), and
- IHEs for which ED did not provide the total number of graduate and undergraduate students who borrowed a Direct Loan to attend the relevant IHE in AY2015-2016 as of August 30, 2023 (17).

This resulted in a total of 4,373 IHEs.

²⁵¹ Foreign IHEs do not report data to IPEDS.

²⁵² An IHE may have a CDR for CFY2017 but may not have reported IPEDS data for the specified time frames for a few reasons, including, for example, that the institution (1) closed or otherwise ceased participating in the Title IV programs prior to the IPEDS reporting timeline or (2) underwent a change in control (e.g., the school was a branch campus of a Title IV-participating IHE and became a separate new IHE) that resulted in its having another IHE’s CDR imputed to it for a time frame for which it did not have its own IPEDS data to report.

Appendix C. Selected Acronyms Used in This Report

Acronym	Definition
CDR	Cohort Default Rate
CFY	Cohort Fiscal Year
ED	Department of Education
FFEL	Federal Family Education Loan
GA	Guaranty Agency
GSL	Guaranteed Student Loan
HBCU	Historically Black College or University
HEA	Higher Education Act
HEOA	Higher Education Opportunity Act
IDR	Income-Driven Repayment
IHE	Institution of Higher Education
IPEDS	Integrated Postsecondary Education Data System
NSLDS	National Student Loan Data System
PRI	Participation Rate Index
SBR	Student Borrower Rate
SLDDR	Student Loan Dollar Default Rate
SLS	Supplemental Loans for Students
TCU	Tribal College or University

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