A. 3.8 COHORT DEFAULT RATE

Defaulted federal student loans cost taxpayers money. By calculating cohort default rates, sanctioning schools with higher rates, and providing benefits to schools with lower rates, the Department creates an incentive for schools to work with borrowers to reduce defaults. As a result, cohort default rates help save taxpayers money.

2-year cohort default rate (CDR)

For schools having 30 or more borrowers entering repayment in a fiscal year, the school cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loan (FFELs) and/or William D. Ford Federal Direct Loans (Direct Loans) during within the cohort default period and default before the end of the following fiscal year.

The official cohort default rate for Inter American University of Puerto Rico for the two year calculation are:

Cohort Default Rate Year (CDR)	Percent
CDR 2011 2-Years	16.4
CDR 2010 2-Years	20.8
CDR 2009 2-Years	18.4

On October 28, 2009, the Department of Education published in the Federal Register the regulations that will govern the calculation of the 3-year cohort default rates beginning with the FY 2009 cohort year. Section 436(e) of the Higher Education Opportunity Act of 2008 amended section 435(m) of the Higher Education Act of 1965 to implement the change from 2-year to 3-year cohort default rates. Section 436(e)(2) establishes FY 2009 as being the first cohort year that 3-year cohort default rates will be released.

To help transition from 2-year to 3-year rates, schools will receive two cohort default rates, a 2-year and a 3-year, until September 2014 when only a 3-year rate will be released. Schools will not be subject to loss of eligibility until three consecutive years of 3-year cohort default rates have been calculated. However, it is important to note that schools will still be subject to loss of eligibility for 2-year cohort default rates until 2014.

3-year cohort default rate (CDR)

For 3-year cohort default rate, the school's cohort default rate is the percentage of a school's borrowers who enter repayment in a fiscal year on certain William D. Ford Federal Direct Loans (Direct Loans) during that fiscal year and default before the end of the **second fiscal** year.

The 3-year cohort default rate for IAUPR are:

Cohort Default Rate Year (CDR)	Percent
CDR 2012 3-Years DRAFT	12.7
CDR 2011 3-Years	19.5
CDR 2010 3-Years	28.9
CDR 2009 3-Year	27.9

There are sanctions associated with high official cohort default rate. If a 3-year cohort default rate that is equal to or greater than 30 percent the school must establish a default prevention task force. This task force must prepare a plan to identify the factors causing the school's cohort default rate to exceed 30 percent and submit to the Department for review. In addition, schools with cohort default rates of *30 percent or greater for two consecutive years* will have to revise their plans to implement additional procedures and also could be subject to provisional certification. In the year 2014, schools that meet certain criteria will become subject to sanctions as a result of the 3-year cohort default rates.

Inter-American University of Puerto Rico (IAUPR) already established a Default Prevention and Management Plan for 2012-2015 years. This plan provides strategies to reduce the default rate in the payment of students' educational loans of IAUPR. The University implemented a new Policy for the granting of loans to students.

After the application of our preventive measures and the development of strategies to accomplish the goals and objectives in the Default Prevention and Management Plan for 2012-2015 years, Inter-American University of Puerto Rico (IAUPR) reduced its 3-years default rate from 28.9% to 19.5%, a 9.4% of reduction.

On February 2015, we received the 3-Years Cohort Default Rate ***Draft*** for fiscal year 2012. The rate is 12.7%. This rate is not officially published as final rate, because the procedure establishes time to the Institution to verify the data and notify any discrepancy. After that procedure, the U.S. Department of Education publishes the Official Cohort Default Rate for fiscal year 2012.

The following preventive measures have been taken:

1. The loan will not be offered, in the automatic evaluation process, to new students.
2. The loan will not be offered, in the automatic evaluation process, to students on academic probation.
3. The loan will not be offered, in the automatic evaluation process, to students that did not have or did not accept a loan in the previous academic year.

4. The loan will not be offered, in the automatic evaluation process, to students that participated in the program, but who dropped out or left their studies in the previous academic year.
5. To include and keep in the electronic web site updated information on the loans. Links with the service agencies and the Federal Department of Education.
6. Starting on July 1, 2012, all students who wish to take loans must attend a counseling session as a condition for the loan to be awarded. This counseling is available through the Web for distance learning students and continuing participants' students in the Direct Loan Program.

Note: These students will be able to receive loans after being interviewed and counseled on their responsibilities regarding loans.

The goal of the Default Prevention and Management Plan is to develop and maintain an uninterrupted process of communication with students, to counsel them with regard to their responsibilities with student loans that will help to prevent noncompliance. Three phases are integrated:

- Phase I, Objective 1 – To develop and maintain a process of early intervention with the student through the diverse strategies.

Objective 2 – Improve the entrance and exit interview process and the general student counseling.

To achieve the objectives, the University contracted Wright International Services – WISS, to contacts the students to offer them counseling on options to prevent them from noncompliance.

- Phase II, Objective – To develop and maintain an uninterrupted process of intervention and communication with the student, at the end of registration and after the student leaves the institution.

IAUPR established an agreement with the National Student Clearinghouse (NSCH) for the management of the information related to students' registration status. This will keep the student information updated in the agencies that make the loans and prevent payments to be made before students complete their studies.

- Phase III, Objective - To identify and maintain a communication system with students after they graduate, or leave their studies, with the University.