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Honorable Arne Duncan
Secretary of Education
400 Maryland Avenue SW
Washington, DC 20202

Dear Secretary Duncan:

On behalf of Frank Phillips College (FPC), a community college in Borger, Texas, I would like to share a few concerns surrounding the 3-year cohort default rate (CDR) calculations and the possibility of sanctions.

As President of FPC, I have encouraged our participation in default prevention activities as recommended by the Department of Education to help prevent or reduce defaults by borrowers who attended FPC and received federal student loans. Once we received the draft 2009 3-year CDR notification, it became apparent that we needed to have an active role in the default prevention process. As part of this process we have contracted with a third party to perform default prevention activities on behalf of FPC. They also provided help to us in creating a default management task force and default management plan as required in the CDR Guide.

The 2009 Official 3-year CDR was received in early October 2012 and our CDR for that period was 34.1%. Working quickly, by November 2012 our third-party servicer was receiving data from NSLDS and performing default prevention activities. We have now received the official 3-year CDR for 2010. The CDR for this period was 31.1% and we anticipate the 2011 3-year CDR will be over 30% as well. Despite our efforts to reduce the CDR, we are concerned that, if this is the case, sanctions will be applied and FPC will lose federal financial aid funding which is vital to the students at our college.

We understand the regulations surrounding the CDR calculations and the ramifications if the school has a 3-year CDR above 30% for three consecutive cohort periods. However, as we have reviewed the data concerning the official 3-year CDR for the 2009 and 2010 cohort periods, as well as our estimates for the 2011 CDR, it became clear that we never had an opportunity to effectively reduce the CDR for these three periods due to circumstances surrounding the CDR periods in question even though we have tried to follow recommendations of the Department of Education and get involved in the default prevention process. Below I have outlined key factors we have discovered in our review of the data.

1. At the time we received official notification of the 2009 CDR (October 2012) and began default prevention activities, the cohort period for the 2010 CDR ended (September 2012), leaving no opportunity to perform default prevention activities for this period.
2. We utilized NSLDS reports to obtain the data on the borrowers that should be contacted for default prevention activities, but realized the only report that provided demographic data for the borrowers did not include borrowers with only Federal Family Education Loans. The

delinquency report which supplied the demographic data on the borrowers only provided this information on borrowers who had federally held loans. Since all of the loans in the 2009 and 2010 CDR were only FFEL loans not held by the federal government, no demographic data was received and contacts with these borrowers would not have been possible. Due to requests from the student loan industry, NSLDS began providing a borrower demographic report in March 2013 that included this data for all loans FFEL or Federal Direct Loans.

3. Due to the overlapping years within the specified cohort periods and our ability to determine the CDR calculation for 2011 at the time bi-weekly data is received from NSLDS and loaded utilizing our third-party servicer's default prevention system, we determined that our 2011 CDR was already at a rate greater than 30% in December 2012. Therefore, you can see from this information that we had no control over this process and no matter what we did to try and perform default prevention activities, it would not impact the first three cohort periods. Also, since our 2011 cohort period appears to only have approximately 33.7% of the borrowers with federally held loans, we would not have been receiving demographic data for a majority of the borrowers until March 2013.

FPC is committed to educating our students who receive federal student loans about the responsibilities of repaying their loans and the consequences of default. Our third-party servicer is providing this information to borrowers as well. In addition, they are making sure borrowers understand the importance of ongoing communication with the servicer of their loans. They inform the borrower that repayment options, deferments or forbearances may be available during repayment if difficulties arise in making payments. Information is also provided to borrowers on utilizing NSLDS access to monitor their accounts and issues related to the consequences of default.

Our reason for bringing this information to your attention is that you may see some unintended consequences in a process that does not allow for active involvement and participation to provide an impact. As you can see by the information above, we had little chance to impact the 2009 and 2010 3-year CDR as well as the anticipated 2011 3-year CDR. It appears in October 2014, sanctions will be applied and FPC will lose federal financial aid funding for our students not only for the remainder of the 2014/15 academic year, but for two additional years also. However, we have made estimates of the 2012 3-year CDR. At this time it is below the 30% level and we are working extremely hard with our third-party servicer to keep it as low as possible until the cohort period ends September 30, 2014. Based on the information provided we hope you can understand our circumstance and provide relief from the possibility of sanctions until the 2012 3-year CDR is released in October 2015. This would at least provide us with the knowledge that we had a fighting chance to impact the CDR calculation with the work that is being performed rather than accepting sanctions on periods where we were done before we began.

Thank you for your attention and considerations of these issues. If I may provide any additional information, please contact me at your convenience.

Sincerely,

Jud Hicks

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