

## Exhibit 2

### Information/Action Item

Consideration of correspondence to U.S. Department of Education  
concerning cohort default rate manipulation

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At the Commission's November meeting, the Commission discussed an item on the issue of cohort default rate (CDR) manipulation. New Cal Grant eligibility rules were adopted in 2011 and 2012 (SB 70 (Chapter 7), Committee on Budget and Fiscal Review and SB 1016 (Chapter 38), Committee on Budget and Fiscal Review) that limited institutional participation in the Cal Grant Program by setting a maximum default rate and a minimum graduation rate. Colleges that have more than 40 percent of their undergraduates who take out federal student loans must now meet two new eligibility criteria. These criteria are that a college must maintain a three-year cohort default rate below 15.5 percent and a graduation rate above 30 percent.

After discussion of how colleges could potentially manipulate their cohort default rate by encouraging students to use deferments and forbearances as a strategy to "manage" their cohort default rate. The Commission took action to establish an Ad Hoc group of Commissioners (Commissioners Siqueiros and Anton), to work with staff on the drafting of a formal letter by the Commission to ask that the United States Department of Education provide student loan borrower data on the number of federal student loans in forbearance status.

At the time of the drafting of this item, the Commission staff was exploring the availability of federal student loan data on this subject. The purpose of obtaining this data is to consider how it might be used in an alternative approach to the current Cal Grant Program eligibility index (that measures an institution's cohort default and graduation rate to determine eligibility). Commission staff will work with Commissioners Siqueiros and Anton on the draft letter and present it to the Commissioners at the Strategic Policy and Planning Committee meeting.

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