From Risk to Retention: The Default Prevention Playbook

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2026 FASFAA CONFERENCE

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DISCUSSION TOPICS

- Understanding Delinquency vs. Default
- Repayment Timeline
- School Sanctions
- Institutional Expectations
- Action Items

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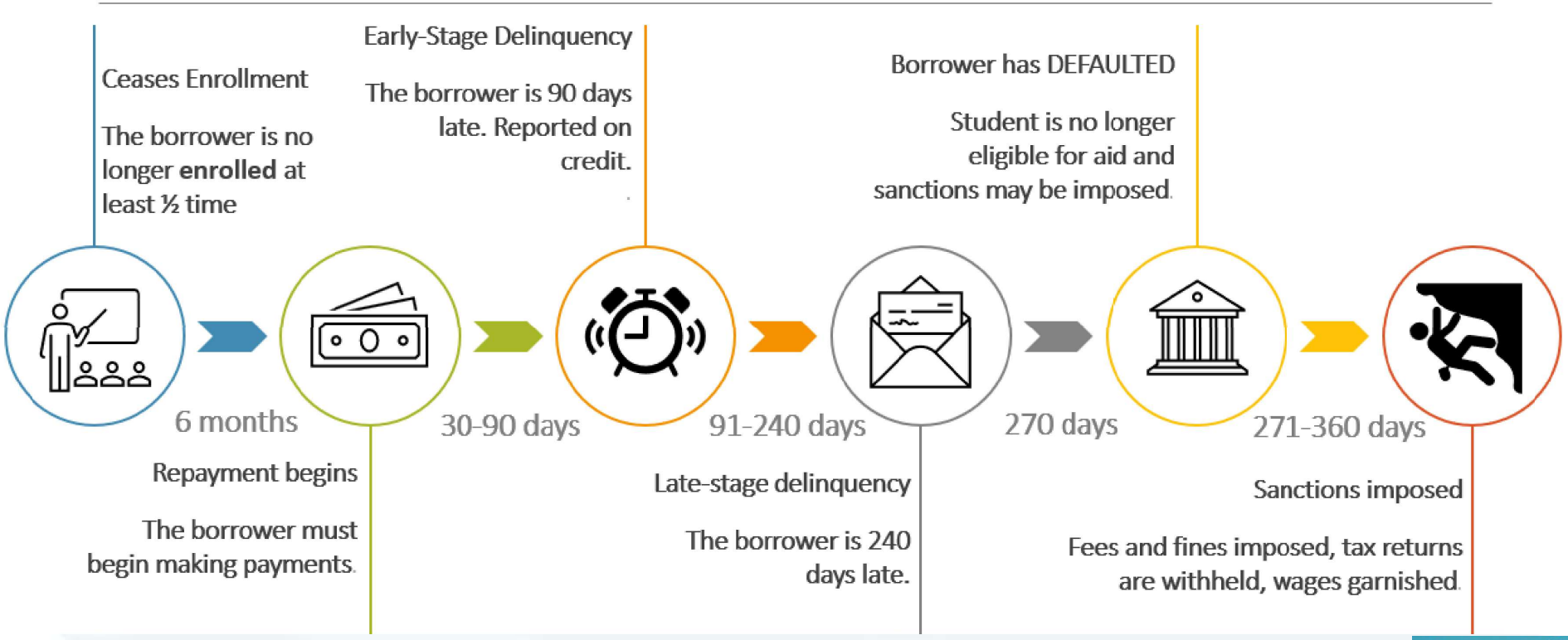
TIMELINE - Enrollment to Default – 450 days



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ALL HANDS ON DECK

STUDENT LOAN DEFAULT/ DELINQUENCY

Recent Guidance from the Department of Education

In June 2025, it was reported by credit reporting agencies that 5.4 million student loan borrowers were delinquent on their student loans. **That's 29% of the borrowers in repayment.**

May 5, 2025 (GEN-25-19) Request for Institutions to Provide Repayment Information to Former Students to Prevent Defaults

- Schools were instructed to perform outreach to former students to prevent defaults

July 23, 2025 – GENERAL 25-34 Nonpayment Rates by Institution - Default Prevention Resource – NSLDS Delinquent Borrower Report

- The report contained current delinquency rates for each institution.
- We would consider institutions above 20% concerning.

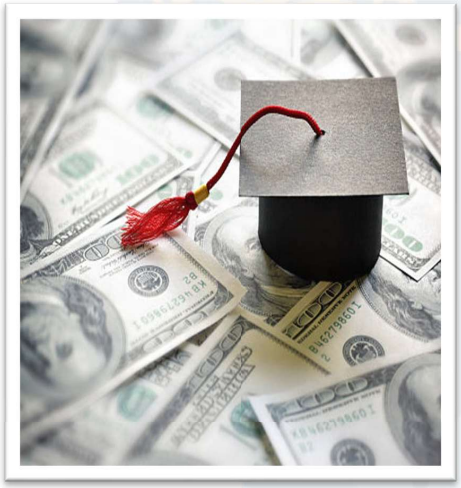
March 13, 2026 – GEN 26-15 Federal Student Aid posts updates to Data Center

- The same information was reported with updated info as of Feb. 2026

Report Link: https://studentaid.gov/sites/default/files/fsawg/datacenter/library/nonpayment-rates.xlsx

RECENT STUDENT LOAN DEFAULT RATE RELEASE

DRAFT Cohort Default Rates (CDR's) released



September 22, 2025 – LOANS 25-08 FY 2022 Official Cohort Default Rate Distributed

- Schools were provided their Official CDR. The FY 2022 CDRs were calculated using the cohort of student loan borrowers who entered repayment on their loans between Oct. 1, 2021, and Sept. 30, 2022, and who defaulted between Oct. 1, 2021, and Sept. 30, 2024.

Note: FY 2022 CDRs were significantly impacted by the pause on federal student loan payments that began March 13, 2020. During the pause, borrowers with student loans held by the U.S. Department of Education (ED)were not required to make any payments, and no borrowers with ED-held loans entered default.

March 25, 2026 – LOANS 26-03 FY2023 Draft Cohort Default Rates

STUDENT LOAN DEFAULT – Consequences of high default rates

Source: *Federal Student Handbook Volume 2 School Eligibility and Operations, Chapter 4 Audits, Standards, Limitations, and Cohort Default Rates*

Schools face sanctions under the following conditions:

- For a cohort default rate of *greater than 40 percent for any year*, schools lose eligibility to participate in the Direct Loan Program.
- **For a default rate of *30 percent or more for any year*, schools must create a default prevention taskforce that will develop and implement a plan to address the high default rate. That plan must be submitted to the Department for review.**
- For a default rate of *30 percent or more for a second consecutive year*, schools must submit to the Department a revised default prevention plan and may be placed on **provisional [Title IV] certification**.
- For a cohort default rate of *30 percent or more for three consecutive years*, schools lose eligibility to participate in both the Direct Loan Program and the Federal Pell Grant Program.

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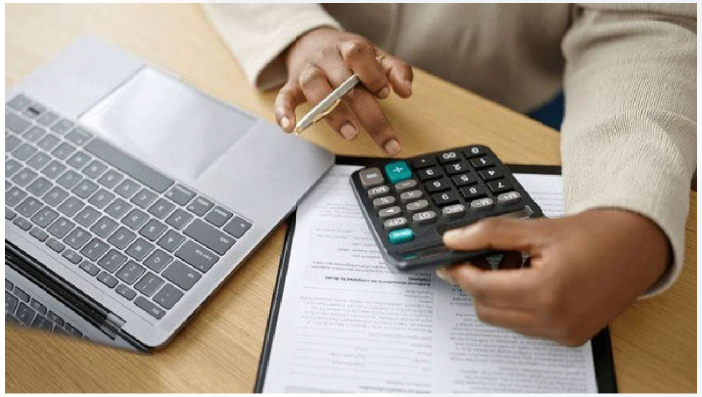
STUDENT LOAN DEFAULT – Additional Consequences

In addition, a school is not considered to be **administratively capable** when:

- The CDR for Federal Stafford/SLS loans or Direct Subsidized/ Unsubsidized Loans made to students for attendance at the school equals or exceeds 30% for two of the three most recent fiscal years, or
- The CDR for Perkins loans made to students for attendance at the school exceeds 15%.

*See Volume 6 for other rules and associated penalties related specifically to high Perkins default rates.



Furthermore, there could be accreditation implications

- Most regional accreditation bodies (and professional accrediting bodies) require information regarding the institution's Cohort Default Rate and the measures the institution takes to mitigate federal student loan defaults.

ACTION ITEMS

CREATE A DEFAULT MANAGEMENT TASK FORCE

If a school's cohort default rate is equal to or greater than 30%, it must establish a **default prevention task force** that prepares a plan that:

Identifies the factors causing the default rate to exceed the threshold

- Establishes measurable objectives and the steps the school will take to improve the default rate
- Specifies the actions the school will take to improve student loan repayment, including counseling students on repayment options.

A school must submit its default prevention plan to its school participation division for review.

Reference: 34 CFR 668.217

ACTION ITEMS - Conduct outreach to former students who are delinquent

The National Student Loan Data System (NSLDS) provides a delinquent borrower report (DELQ01) that includes students who are delinquent on their loans. This reports indicates if students are 30, 60, 90 + days delinquent.

- It is difficult for institutions to obtain updated student contact information.
- There are companies that can provide outreach services on behalf of the institution
  - They call, email, text (if permission is granted) to educate students on repayment options and connect them with their lender to resolve the delinquency.
- On average, it takes 20 touchpoints (calls, emails, etc.) before a borrower is “cured”.*

- Currently there are income-based repayment plans that allow a $0 monthly payment; however, in July that minimum will increase to $10.

*source loanscience.com

ACTION ITEMS – Analyze the students in default

- Institutional Research can analyze the current delinquent/ defaulted students to identify characteristics that are predictors of default, which can guide the Default Management Task Force in the development of intervention measures.

- Research shows students with the lowest success rates are more likely to default on their federal student loans.

ACTION ITEMS – Identifying at-risk students

Of those students who default or are delinquent:

- Are they primarily FT or PT?
- How many credits have they earned at the institution?
  - Did they graduate?
- Did they take or were they last enrolled in remedial courses?
- Did they withdraw from some courses or from the institution entirely?
  - Did they have an R2T4 at any point?
- Were they meeting the Standards of Satisfactory Academic Progress?
  - Did they have an appeal at some point?
- What is their total federal loan debt?
- Were they eligible for need-based aid (Federal Pell Grant eligible)?
- Were they First Generation In College students?
- Did they continue their enrollment from spring to fall?
- Did they register late? Did they start classes or move-in late?

ACTION ITEMS – Ensure students understand their aid offer

Ensure the Financial Aid Offer Notice is clear and provided to students early enough for families to make informed decisions regarding their aid and enrolling at the institution.

(A Dream Defaulted: The Student Loan Crisis Among Black Borrowers)

- Make sure the aid offer clearly delineates grants, scholarships, work vs. loans
  - Have staff available to explain the differences and the benefits of scholarships and work over loans
- Communicate with the student early regarding their responsibilities when taking out a loan
- Process awards early enough so they complete the Entrance Counseling and Master Promissory Note in a manner where they understand what they are agreeing to

ACTION ITEMS – Review the current institutional loan process

Review the current institutional federal loan process:

- Is it more cumbersome than the federal regulations require?
- Does it place a barrier to borrowing?

- *If your borrowing policies are to reduce borrowing, you could be negatively impacting your borrowing pool.*

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ACTION ITEMS – There needs to be in *institutional* culture of completion

Institutional Initiative

- Student completion initiatives is the strongest defense against high cohort default rates.
- When you analyze your student completion data and identify the non-completers and then overlay your delinquent or defaulted students, you will likely find some similarities.
  - *Non-completion is the number one indicator of default*
- The institution should ensure there is a culture of completion.

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ACTION ITEMS – Financial Literacy as a Default Prevention Measure

The following activities are recommended:

- Create a task force to address delinquency and default
  - Assess the effectiveness of default reduction activities year over year.
- **Ensure loan debt/ financial literacy/ default implications are a campus-wide initiative.**
  - What steps will the institution take to reduce default risk?
- Utilize other areas such as peer advisors and first-year experience courses to assist with the ongoing communication regarding the responsibilities of loan repayment and financial literacy.
- Incorporate student groups/ student government into the program.
- Allocate school resources for default reduction activities
  - Peer-to-peer education is beneficial for these initiatives - offer financial certification to peer advisors.

ACTION ITEMS – Financial Literacy Initiatives

The following activities are recommended:

- **Financially literate students become financially responsible graduates who are able to give back to the institution**
- Seek grants to offer the program
- Provide financial literacy training/ certification to peer advisors
  - Utilize these peer advisors to spread the word about financial literacy (create a presentation and speak to 1st year students) Incorporate student groups/ student government into the program.
- Use Work Study students to create/ support the initiative
- Financial literacy programs even assist employees so work with human resources, so it's seen as an employee benefit.

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ACTION ITEMS – Enrollment Reporting

Ensure students receive their full 6-month grace period

- Ensure Enrollment Reporting is done timely and accurately.
- The purpose of enrollment reporting is to accurately report the enrollment status of the student to the National Student Loan Data System (NSLDS).
  - Once the student is reported as less than ½ time, their repayment clock begins effective the date they were no longer enrolled ½ time.
  - Timely and accurate reporting ensures the student receives the full 6 month of grace and has time to plan/ prepare for repayment. Therefore, it's important to have timely withdrawal processes that will capture the student going below ½ time and report it to the Clearinghouse within 30 days.

**Student Status - Inaccurate/Late Reporting has been in the top 10 audit findings for both school audits and program reviews for years. And for the last two reported years, it was #1.*

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QUESTIONS?

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THANK YOU!

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