

Federal Student Aid

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SUBJECT: Request for Institutions to Update and Maintain Default Management and Prevention Plans; Publication of Updated Nonpayment Rates by Institution

In a May 2025 [electronic announcement](#), the Department reiterated the key role that institutions of higher education play in improving loan repayment outcomes, especially as the number of delinquent and defaulted borrowers continue to rise. The announcement strongly urged all institutions to begin proactive and sustained outreach to former students who are delinquent or in default on their federal student loans to ensure that such institutions will not face high cohort default rates (CDRs) and lose access to federal student assistance. In a July 2025 [electronic announcement](#), the Department also announced the availability of nonpayment rate data, which provides the percentage of Direct Loan borrowers, on an institutional basis, who entered repayment between January 2020 and May 2025 and whose federal student loans were more than 90 days delinquent. The announcement stated that such information can assist institutions in understanding the delinquency and default risks associated with their borrowers.

Today, the Department is announcing the release of updated [data](#) [↗](#) on this cohort of borrowers, showing that over 1800 institutions have nonpayment rates at or exceeding 25 percent. Though the nonpayment rate differs from the official CDR calculation, such rates are indicative of both institutions' success in counseling borrowers on the impact and potential consequences associated with their student loan debt, as well as the extent to which institutions may be at risk of losing access to federal student assistance due to high CDRs in the future. In the coming weeks, Federal Student Aid (FSA) intends to release draft FY 2023 CDR notification packages to all eligible domestic and foreign schools. As a reminder, as a result of COVID-19 pandemic-related flexibilities, many institutions may have artificially low CDRs; the nonpayment rate may be a more reliable indicator of how successful current borrowers are in repayment.

Development of Default Management and Prevention Plans

Under Section 435(a)(7) of the *Higher Education Act of 1965* (HEA), institutions with a CDR greater than or equal to 30 percent in a single year are required to develop and submit a default prevention plan to the Department. In doing so, applicable institutions are required to:

- Establish a default prevention task force;
- Identify the factors causing the default rate to exceed the threshold; and
- Establish measurable objectives and steps a school will take to improve student loan repayment and reduce its default rate.

The Department reinforces and reemphasizes its concern that institutions that have high nonpayment rates are at serious risk of later having a high CDR and, thus, losing eligibility for all federal student assistance. As such, the Department strongly encourages institutions with high nonpayment rates to update, maintain, and execute their default management and prevention plans as soon as possible. To assist with developing such plans, the Department is providing a list of best practices for institutions to consider when developing these plans. The Department is hosting a webinar on these topics on [Wednesday, February 25](#).

Leveraging Existing Resources, Including Development of a Borrower Portal

In developing their default management and prevention plans, institutions are encouraged to examine ways in which they can leverage existing communication channels and technology, including financial literacy resources and loan repayment information, through a borrower portal linked on their website. This borrower portal could provide students with information on when they are expected to begin making payments after leaving school, the importance of making those payments on-time and in full, the consequences for failing to do so, available repayment plans, options for managing student debt, and key contact information for their financial aid office and federal student loan servicers. Institutions could also consider having staff dedicated to financial literacy services to offer in-person assistance to current and former students, as well as integrating financial literacy into orientation and first-year experience/student success courses.

Analyses and Targeted Intervention for Delinquent Borrowers

The June 2025 electronic announcement provided institutions with information on using the National Student Loan Data System (NSLDS®) Delinquent Borrower Report to identify students at risk of defaulting on their federal student loans. The Department encourages schools to routinely complete an analysis of their delinquent borrowers to identify contact information and facilitate targeted outreach. Institutions are encouraged to continuously evaluate and identify the effectiveness of each outreach method for different populations. Routine analysis of delinquent borrowers also allows institutions to identify common characteristics among their defaulters and work more closely with students who have not yet entered repayment to reduce their likelihood of delinquency and default.

Cooperation and Collaboration Among Partners

The Department recognizes the importance of cooperation and collaboration when it comes to achieving repayment success, including coordination between financial aid offices, an institution's chief executive officer, its governing board, and other institutional leadership. It is critical that institutional leaders at the highest levels are aware of this responsibility and allocate appropriate resources to help students understand their obligation to responsibly repay their loans.

Additionally, partnerships with third-party entities experienced in locating and contacting borrowers can be an effective tool for schools to manage their nonpayment rates. Institutions, particularly those that lack internal expertise or resources, could consider whether such partnerships could improve their ability to reach, counsel, and guide borrowers who are delinquent or default back into positive repayment status.

One Big Beautiful Bill Act

The *One Big Beautiful Bill Act (OBBBA)*, signed into law by President Trump on July 4, 2025, delivers historic victories for students and families, including simplifying federal student loan programs and repayment options. These reforms provide institutions with the opportunity to reevaluate their internal practices and efforts to promote responsible borrowing and successful repayment, including but not limited to:

- Encouraging delinquent and at-risk borrowers to enroll in the new Repayment Assistance Plan (RAP), which will be available in early Summer 2026. RAP can provide reduced monthly payments and prevent ballooning debt through new benefits, such as waiving unpaid interest and providing matching payments that reduce borrowers' loan balances.
- Informing borrowers in default about the opportunity of loan rehabilitation, which puts their loans in good standing and removes the default from their credit report. Beginning July 1, 2027, the *OBBBA* allows borrowers to use rehabilitation on a loan twice, rather than just once.
- Using program-level earnings data published on the College Scorecard to enhance entrance counseling and ensure borrowers make informed choices when deciding between education programs offered at the institution.
- Reviewing financial aid packaging practices in light of changes to loan options and availability, as well as the new authority for institutions to set lower programmatic borrowing limits for federal student loans.

The Department encourages institutions to monitor updates on the implementation of these policies listed through the [OBBBA updates page](#)  on studentaid.gov, as well as the policies that became effective upon enactment as noted in the Department's [Dear Colleague Letter](#) published on July 18, 2025.

Once again, thank you for your continued efforts to maintain the integrity of the *Title IV, HEA* loan programs. The Department values its institutional partners and looks forward to continued collaboration to place borrowers on the path to successful repayment and to strengthen the financial health of the federal student loan portfolio.