



TO: Chief Student Services Officers
Financial Aid Directors
Chief Executive Officers

FROM: Stacey Shears, Vice Chancellor of Student Services
Allison Beer, Dean of Student Services

RE: Impacts of Federal Loan Default Collections and Cohort Default Rates

This memorandum provides an overview of the U.S. Department of Education's resumption of defaulted federal loan collection and corresponding Cohort Default Rate (CDR) monitoring. The memo outlines implications for California Community Colleges, particularly in the areas of student support, financial aid administration, and institutional accountability.

Background

In May 2025, the U.S. Department of Education resumed collections of defaulted student loans, following a pause in repayment and default collection which began in March 2020 as a pandemic-era relief measure. The [electronic announcement](#) from the Department of Education includes information regarding outreach to students regarding loan repayment and institutional responsibilities to maintain low Cohort Default Rates (CDRs). Under Section 435 of the Higher Education Act, colleges lose eligibility to provide federal Title IV financial aid, including Pell Grants and federal student loans, if their CDR exceeds 40% for a single year or 30% for three consecutive years.

A subsequent February 2026 [electronic announcement](#) from the Department of Education emphasized colleges' role to support students with loan repayment and default prevention; shared information about non-repayment rate data which can be a leading indicator of CDRs, and student loan repayment changes enacted as part of the **2025 One Big Beautiful Bill Act (OBBBA)**.

Information regarding CDR data and institutional requirements are available on the Department of Education [website](#).

Potential Impacts on Students

Many current and former community college students are disproportionately vulnerable to loan default due to economic hardship and lower completion rates. With the end of payment and default pauses and the transition back into active repayment, borrowers who are unprepared or unaware of their repayment options may face increased risk of delinquency and default.

Institutional Considerations

While most California Community Colleges historically maintain low CDRs due to relatively low borrowing rates, even modest increases in borrower default could have implications, including:

- Increased federal scrutiny and reporting requirements.
- Risks to Title IV eligibility for institutions approaching CDR thresholds; and
- Risks to colleges' overall financial stability.

Recommended Institutional Actions

To mitigate risk and support student success, colleges are encouraged to:

- Strengthen default prevention strategies, including early outreach to borrowers entering repayment.
- Ensure students receive comprehensive financial wellness coaching and loan counseling (entrance, exit, and ongoing).
- Promote awareness of income-driven repayment plans and loan forgiveness programs.
- Leverage student services, counseling, and basic needs support to address underlying contributors to default.
- Support students' employment pathways that result in living wages and long-term financial stability; and
- Monitor institutional CDR data closely and coordinate across departments to respond proactively.

Resources for Colleges

The Chancellor's Office provides several free resources to colleges to support students' financial well-being and institutional CDR monitoring, including:

- 1.** Free access to the Higher Education Financial Wellness Association (HEFWA) [CashCourse](#), an online platform to support students build financial literacy through interactive tools, self-paced lessons, and real-world applications.
- 2.** Ongoing webinars and in-person trainings for college staff to gain strategies for providing student financial wellness support services.
- 3.** CDR monitoring and early action recommendations, in partnership with Loan Science. As part of this service, colleges receive regular CDR reports and modeling to remain below CDR thresholds that would result in corrective action or potential loss of Title IV eligibility.

Colleges are strongly encouraged to participate in available resources and trainings and may reach out to the Chancellor's Office financial aid team to sign up. Regular emails are sent to college financial aid offices of available resources and training opportunities.

In addition, the Chancellor's Office will continue to monitor federal guidance and provide updates as information becomes available.

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Collegewide collaboration is critical during this period of the return to federal loan repayment and default collection. By proactively engaging with students and aligning institutional resources, we can help mitigate the impact of these federal changes and promote positive financial outcomes for our students.

If you have questions or would like to share emerging challenges or best practices, please do not hesitate to reach out.

Chancellor's Office Contact

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