

PRIMER *Published June 24, 2026 · 9 minute read*

Five Things to Know About the Cohort Default Rate

Colin Kerr



After more than four years of paused federal student loan payments, the repayment system is ramping up. As millions of borrowers reenter repayment, early signs of distress are emerging—complicated by the rollout of new repayment plans.¹ Yet amid these changes, one longstanding accountability metric has been largely overlooked: the cohort default rate (CDR). Although the *Higher Education Act* mandates measuring CDR, the payment pause made it impossible to collect accurate CDR data.² With new data expected later this year, this memo unpacks five key questions about CDR, what it means for institutions, and what policymakers should know about its interaction with upcoming changes to the student loan system.³

What is the Cohort Default Rate?

CDR is a federal higher education accountability metric that measures the percentage of a college or university's borrowers who default on their federal student loans after entering repayment. The measure is designed to ensure that higher education institutions share some responsibility for their students' financial outcomes, as reflected by their ability to repay their federal loans. The CDR metric was originally introduced in the late 1980s in response to rising default rates amid a surge of for-profit institutions entering the higher education marketplace.⁴

The CDR calculation includes both students who complete and those who do not, and the premise is straightforward: if a student borrows to attend a higher education institution, the institution should be accountable when large shares of students cannot repay their loans. Although CDR is not a direct measure of return on investment, it is an important indicator of whether students receive sufficient financial value from their education to manage their loan payments, particularly for students who do not graduate and may not receive the salary bump from a completed credential.

Default is a lose-lose scenario for both borrowers and the federal government and comes with severe financial consequences. While federal student loan borrowers become “delinquent” after missing just one payment, their loans transition to default after 270 days, or about nine months, of missed payments. Like other financial products, such as home and auto loans, defaulting on federal student loans signals to lenders that borrowers are no longer able to meet their repayment obligations. About two months after default, credit bureaus are notified of the defaulted loan, resulting in derogatory marks on the borrower's credit reports and damage to their credit score, both of which hamper their financial future. Beyond that, defaulted borrowers lose access to additional federal student loans until they exit default or rehabilitate their loans. This is further complicated by the entire loan balance becoming due immediately upon a borrower entering default. In the most extreme cases of default, borrowers will be subject to automatic wage garnishments of up to 15% or the

withholding of tax refunds and/or other federal benefits, such as Social Security and Department of Veterans Affairs benefits. ⁵

Enrolling in higher education and taking out a federal student loan inherently carries some risk. Ideally, a higher education accountability system would identify warning signs for low-quality programs and protect a student's investment long before the detrimental consequences of default. Indeed, the new federal earnings standards aim to ensure that risk is manageable, yet there's still a need to protect students and taxpayers from low-quality programs that lead to financial instability. ⁶ In today's system, CDR has a role to play as the backstop that measures an important side of risk for both borrowers and the federal government by identifying institutions that consistently leave students worse off.

How Does CDR Work in Practice?

The guidelines for meeting CDR are clear—and extend significant generosity to institutions in their measurement. Colleges risk their access to federal student aid if their CDR exceeds 30% for three consecutive years or 40% in a single year. These thresholds are designed to allow for temporary fluctuations while still identifying sustained poor outcomes. To put this in perspective, imagine a university from which a cohort of 10,000 borrowers enters repayment each year. An institution of this size would fail its CDR if 3,000 borrowers fell into default and that rate persisted for three years, or if 4,000 borrowers fell into default in a single year.

Over time, Congress recognized that institutions could easily manipulate CDR measurements. A 2018 Government Accountability Office report identified instances in which colleges prioritized passing the CDR metric, often pursuing strategies to steer borrowers into loan forbearance rather than other options that were more likely to be in their best interest but would hurt the school's CDR. ⁷ In response, the measurement window was extended to three years, making it harder to game the system and providing a more accurate picture of repayment.

The Department of Education (Department) also allows institutions to appeal sanctions if they have mitigating circumstances. While this can serve as an important safeguard in exceptional cases, it has also meant that accountability through CDR and the loss of federal aid eligibility are rare in practice. Information about this process is often not made public, but available data suggest that schools with high CDRs often appeal based on economic disadvantage. In Fiscal Year 2012, nine of the fifteen schools on the CDR sanction list submitted “economically disadvantaged” appeals, seven of which were accepted. ⁸ At times, institutions facing accountability for failing CDR rates have even successfully evaded consequences by appealing to their Congressional representatives for assistance. One such

case involving Senator Mitch McConnell (R-KY) led to a provision in a federal budget that allowed institutions in economically disadvantaged communities to receive waivers from the Department, notably benefitting a Kentucky school with three years of failing CDR rates.⁹

How Does CDR Interact With New Accountability Measures?

Given the amount of taxpayer dollars invested in higher education each year, there has been a growing focus on earnings-based accountability measures. The 2025 “Do No Harm” accountability standards assess whether students are left better off from attending college programs, with the benchmark for undergraduate degrees being the earnings of the typical high school graduate in their state. This approach offers one lens into institutional quality: a degree should position students to earn more than they could without it. But if the debt incurred to obtain that education is too steep, those gains may not translate into financial security.

CDR offers a distinct perspective. It looks at the cost side of the equation and whether borrowers can repay what they owe over the long term. It’s good if a college degree helps you earn more than a high school graduate. It’s even better if those higher earnings are enough to repay the debt comfortably. Both measures are important. Earnings-based metrics capture post-college outcomes, while CDR reflects the financial burden of borrowing and repayment success. Together, they provide a more complete picture of institutional quality and student outcomes.

Why Haven’t We Gotten New CDR Data Lately?

CDR measures borrower outcomes across cohorts three years after entering repayment. During the federal student loan payment pause initiated by President Trump in March 2020 and continued by President Biden through summer 2023, borrowers were not required to make payments for nearly four years. With no data to measure repayment outcomes, institutions have not been subject to meaningful CDR accountability since 2020.

Repayment resumed in October 2023, with most borrowers having experienced an extended period without making payments. Because CDR is based on default, which occurs after 270 days of nonpayment, there is an inherent lag before new data become available. On top of that, CDR pass/fail decisions will not be available until after the three-year reporting window, making the next assessment likely in late 2026.

Why Should We Be Thinking About CDR Again Now?

Since the last CDR data were released, the state of play for higher education and the student loan program has shifted significantly. The new repayment plans taking effect in summer 2026 might reduce the risk of default for some borrowers by limiting loan balance growth through interest subsidies.¹⁰ However, the effects are still uncertain, particularly given that some borrowers will face higher required monthly payments. As such, delinquency and default will be important barometers to monitor as the repayment landscape undergoes a massive administrative shift.

With repayment underway again, early warning signs are already emerging. Department data released in early 2026 show that more than 1,800 institutions have nonrepayment rates of 25% or higher.¹¹ Nonrepayment is different from default; it is a broader category that includes any borrowers who have not made a payment for at least 90 days. We shouldn't assume that those 1,800 institutions will fail the CDR test, but it may be a canary in the coal mine—a potential cause for concern.

Beyond nonrepayment rates and the number of borrowers who *might* fall into default, there are growing concerns about the number of borrowers *currently* in default. Data show that 7.7 million people were in default on their federal student loans by the end of 2025.¹² Borrowers who struggle with default are more likely to be Pell Grant recipients, earn less than \$50,000, and (counterintuitively) hold less than \$10,000 in debt.¹³ The unfortunate reality is that borrowers with the fewest financial resources are often hit the hardest by loan default. Non-completers are especially vulnerable to poor student loan repayment outcomes, as they often must repay their loans without the full earnings benefits associated with receiving a degree.

Thinking beyond the current CDR metric, recent changes in higher education accountability create an opportunity to reconsider the distinct role CDR should play in the federal system. Longstanding critiques of the measure remain valid, but the drumbeat for greater affordability and accountability in higher education has only grown louder since the last time CDR data were released. This is an opportunity to modernize CDR and ensure it remains fit for purpose in measuring institutional responsibility for student borrowing outcomes.

Conclusion

Federal policymakers have recently devoted significant attention to strengthening earnings-based accountability for college programs. The cohort default rate, while

imperfect, is a valuable complementary measure, ensuring that debt and repayment outcomes remain part of the accountability conversation. With another academic year winding down and new CDR figures on the horizon, now is an opportune moment to reacquaint ourselves with the metric, revisit why it was created, and renew our focus on preventing student loan default.

Policymakers should pursue bipartisan solutions that shorten the timeline for assessing repayment outcomes, increase opportunities for institutional improvement, and provide students with useful and timely data. Doing so would better protect student and taxpayer investments in higher education while more effectively enforcing the letter and spirit of the law that CDR was designed to uphold.

ENDNOTES



- 1.** Carrasco, Maria. “ED Begins Campaign to Move Borrowers Enrolled in SAVE to Other Repayment Plans.” National Association of Student Financial Aid Administrators, 30 March 2026, https://www.nasfaa.org/newsitem/38543/ED_Begins_Campaign_to_Move_Borrowers_Enrolled_in_SAVE_to_Other_Repayment_Plans. Accessed 10 April 2026.
- 2.** Default of Student Under Federal Loan Insurance Program. 20 U.S. Code § 1080e, [https://uscode.house.gov/view.xhtml?req=\(title:20%20section:1080%20edition:prelim\)#:~:text=%C2%A71080.%20Default%20of%20student%20under%20Federal%20loan,guaranty%20agencies%20\(1\)%20In%20general%20\(2\)%20Regulations](https://uscode.house.gov/view.xhtml?req=(title:20%20section:1080%20edition:prelim)#:~:text=%C2%A71080.%20Default%20of%20student%20under%20Federal%20loan,guaranty%20agencies%20(1)%20In%20general%20(2)%20Regulations). Accessed 10 April 2026.
- 3.** Sattelmeyer, Sarah. “Five Takeaways from the Department of Education’s Student Loan Rulemaking.” New America, 17 November 2025, <https://www.newamerica.org/insights/five-take-aways-from-the-department-of-educations-student-loan-rulemaking/>. Accessed 10 April 2026.
- 4.** Ahlman, Lindsay, Debbie Cochrane, and James Kvaal, et. al. “Driving Down Default: How to Strengthen the Cohort Default Rate to Further Reduce Federal Student Loan Default Risk.” The Institute for College Attainment and Success. 2019 November, <https://ticas.org/accountability/driving-down-default-how-to-strengthen-the-cohort-default-rate-to-further-reduce-federal-student-loan-default-risk/>. Accessed 15 April 2026.
- 5.** Office of Federal Student Aid. “Student Loan Default and Collections: FAQs.” <https://studentaid.gov/articles/default/#communication>. Accessed 15 April 2026.

- 6.** Rounds, Emily, Ben Cecil, and Stephanie Hall, et. al. “Comments to the Department of Education on the Student Tuition and Transparency System and Earnings Accountability.” Third Way, 20 May 2026, <https://www.thirdway.org/letter/comments-to-the-department-of-education-on-the-student-tuition-and-transparency-system-and-earnings-accountability>. Accessed 11 June 2026.
- 7.** Emrey-Arras, Melissa. “Federal Student Loans Actions Needed to Improve Oversight of Schools’ Default Rates.” U.S. Government Accountability Office, April 2018, <https://www.gao.gov/products/gao-18-163>. Accessed 14 April 2026.
- 8.** Ahlman, Lindsay, Debbie Cochrane, and James Kvaal, et. al. “Driving Down Default: How to Strengthen the Cohort Default Rate to Further Reduce Federal Student Loan Default Risk. The Institute for College Attainment and Success.” November 2019, <https://ticas.org/accountability/driving-down-default-how-to-strengthen-the-cohort-default-rate-to-further-reduce-federal-student-loan-default-risk/>. Accessed 15 April 2026.
- 9.** Butrymowicz, Sarah and Meredith Kolodner. “Will Colleges with Sky-High Default Rates Face Consequences?” *The Hechinger Report*, 3 October 2019, <https://hechingerreport.org/will-colleges-with-sky-high-default-rates-face-consequences/>. Accessed 11 June 2026.
- 10.** Salguero, Jocelyn and Michele Zampini. “Provisions Affecting Higher Education in the Reconciliation Law.” The Institute for College Access & Success, 15 July 2025, <https://ticas.org/accountability/provisions-affecting-higher-education-in-the-reconciliation-law/>. Accessed 11 June 2026.
- 11.** Federal Student Aid. “Request for Institutions to Update and Maintain Default Management and Prevention Plans; Publication of Updated Nonpayment Rates by Institution.” Office of Federal Student, United States Department of Education, 18 February 2026, <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2026-02-18/request-institutions-update-and-maintain-default-management-and-prevention-plans-publication-updated-nonpayment-rates-institution>. Accessed 16 April 2026.

- 12.** Cowley, Stacy. "Record Number of Student Loan Borrowers Are in Delinquency and Default." *nytimes.com*, The New York Times, 20 March 2026, <https://www.nytimes.com/2026/03/20/business/student-loan-delinquency-default.html?smid=url-share>. Accessed 29 April 2026.

- 13.** Harman, Andrew. "Damned by Default: Low-Income Borrowers and Student Debt." *law.georgetown.edu*, Georgetown Law, 3 November 2020, <https://www.law.georgetown.edu/poverty-journal/blog/damned-by-default-low-income-borrowers-and-student-debt/>. Accessed 27 May 2026.